BUSINESS WEEK

WEEK AGO

YEAR AGO

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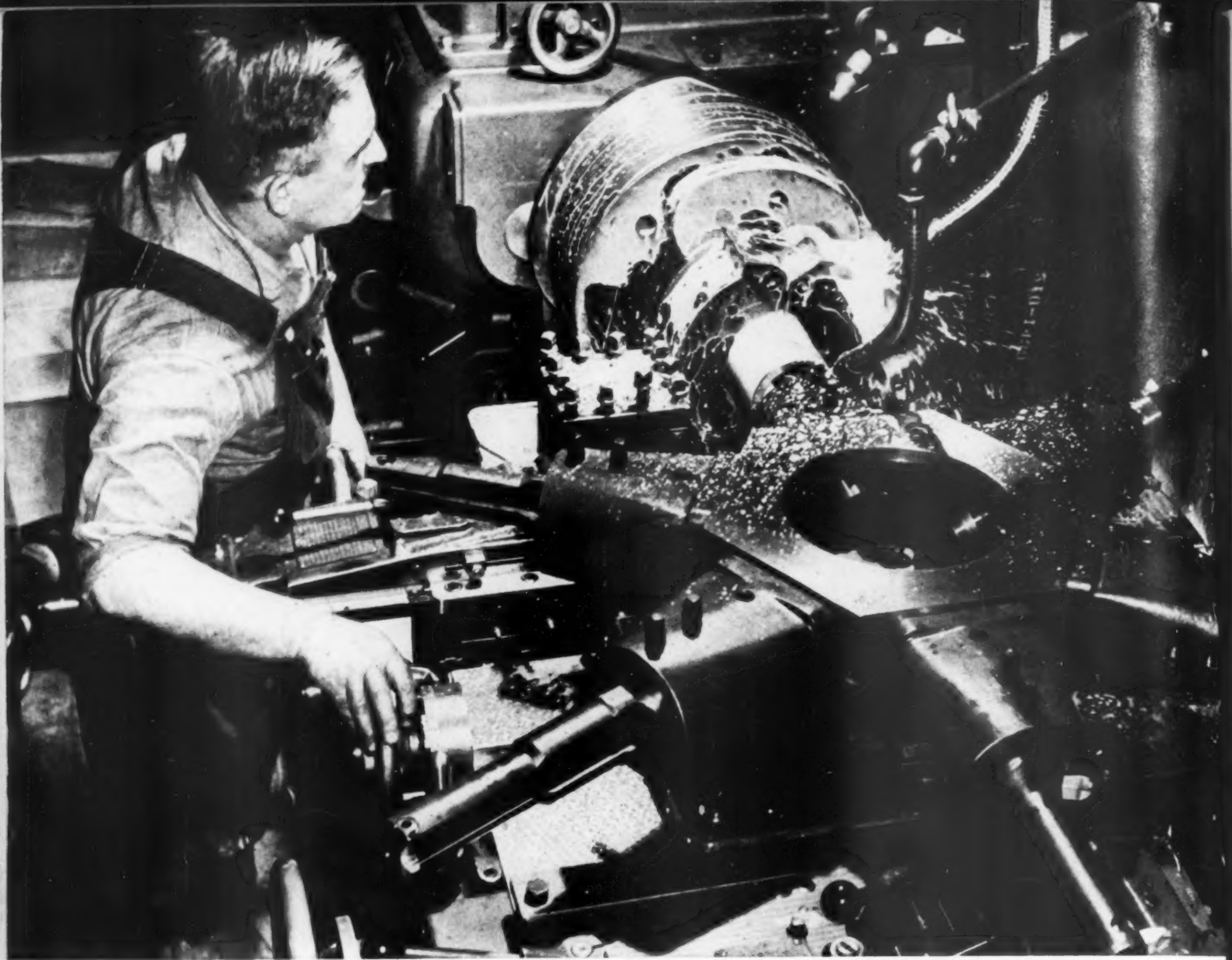

How rubber stopped roads from blowing away

Some typical examples of Goodrich development in rubber

HOW a certain kind of rubber compound, made to stick to a steel roller used on soft limestone that crumbled and blew away when crushed, solved a serious problem for road builders is one of a series of 24 examples of rubber development told about in the booklet shown in the lower corner. Some of the others:

Rubber swallows bullets that rip metal in airplane tanks — how a B. F. Goodrich development is saving planes and lives of pilots.

Cushion for a 600-pound smash — how a new kind of conveyor belt stands service that used to tear belts to shreds.

Rubber veils for plum blossoms — how rubber helped advance the science of plant breeding.

8000 pounds pull on its jaw yet it never lost a tooth — about couplings and hose that stand pressure enough to force mud through oil wells, two miles or more deep in the earth.

That's a lot of applesauce but it's rubber's dish — telling how Goodrich conveyor belts speed up handling of mountains of apples in the rush season.

Rubber hips for tomorrow's cars — story of the new rubber spring that absorbs road shocks and vibration, turns roads to velvet under cars or buses.

It puts copper underwear on electric irons — how new methods of rubber compounding had to be invented to handle the delicate chemicals used in electroplating.

Fighting fires with heat — describing an improved hose for handling live steam and its use in stopping dangerous oil-refinery fires.

And there are 15 others — each telling of some Goodrich development or improvement in mechanical rubber goods. This book might give you or some of your executives ideas about some *future* help rubber might give in some of your own problems.

It's a set of 24 reprints of Goodrich advertisements of 1940 and '41. Free on request. Just write The B. F. Goodrich Co., Dept. C-12, Mechanical Goods Division, Akron, Ohio.

B. F. Goodrich

First IN RUBBER

BUSINESS WEEK

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Cover: International

Page	*Description*	*Credit*
14	A.F.L. Convention	Acme
15	Hull Testifies	Press Assn., Inc.
17	Consolidated Poll	Acme
18	Wayne L. Morse	International
20	Ford Plant Model	International
22	Trailers	Press Assn., Inc.
38	Collapsed Bridge	Acme
40	Sugar Beet Combine	F. Hal Higgins
60	I.L.G.W.U. School	Harry Rubenstein
74	Japanese Tanks	Acme
77	Mackenzie King	Acme
80	British Tanks	Press Assn., Inc.

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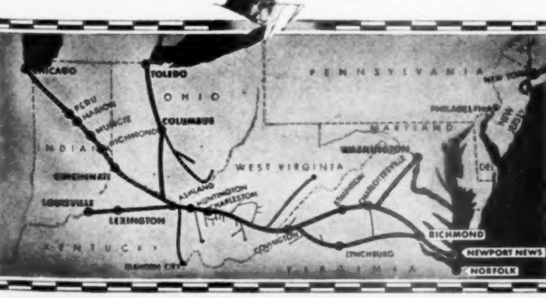
A McGRAW-HILL PUBLICATION

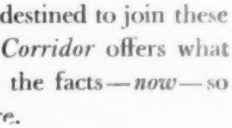
Where pioneers sought "elbow room"...

TODAY MODERN INDUSTRY FINDS ROOM FOR PROFITABLE EXPANSION

RICH, fertile land and space to grow in ... these brought pioneer families westward over the Midland Trail to colonize the wilderness. Today, when the old trail has given way to the great east-west railroad route of Chesapeake and Ohio Lines, industries are on the move to this territory. Treasures of the earth in raw materials for manufacture and power ... the produce of farm and forest that industry needs ... an abundance of native-born labor ... superior transportation to nearby major markets ... plenty of available sites ... today these make *The Chessie Corridor* "Industry's Next Great Expansion Area." These advantages — and *still more* — are bringing a great diversity of new industries into this remarkable area, so rich in the needs of modern industry.

Your own business may be one destined to join these swelling ranks. If *The Chessie Corridor* offers what *you* need, you should learn all the facts — *now* — so that you may plan for the future.





Have YOU the book so many executives want? Information on this important area is now organized and available in a new 56-page book you'll be proud to have in your library—"*The Chessie Corridor — Industry's Next Great Expansion Area.*" This beautiful book is a graphic and impartial survey of the resources, conditions and opportunities which beckon industry to *The Corridor*. Copies will be mailed to business executives requesting them from INDUSTRIAL DEVELOPMENT SERVICE, Chesapeake and Ohio Lines, Huntington, W. Va.

THE CHESSIE CORRIDOR ★ *Served by CHESAPEAKE and OHIO LINES*

BUSINESS WEEK

and the ANNALIST Oct. 18, 1941

THE COVER

The almost-endless line of freight car wheels pictured on this week's cover is literally indicative of the railroad's great equipment-building program to keep defense rolling. Right now, after ordering new cars at the fastest pace ever recorded—and sure of passing this month's critical peak load with a few cars to spare—the roads are catching their breath. But to handle bigger loads than ever in 1942, more new equipment is needed and ways must be found to produce it, despite material shortages—page 26.

LEASE-LEND TANGLE

You may have heard exporter friends complaining about the operations of lease-lend. Britons have heard so many that they've created a special public relations department to explain. But foreign traders say Washington has some explaining to do, too. For a full explanation, see page 15.

DOING ANY BUILDING?

The nation's building industry this week was sure it had received a SPAB in the back. Actually, the Civilian Supply and Allocations Board had done little more than point to the realities of the materials situation. The announcement that only those projects essential to defense or public welfare would rate priorities on critical materials will nip most nondefense jobs that are still in the planning stage. However, builders who have jobs well under way are promised aid in getting materials to finish them—page 17.

DAIRY WHIRLWIND

There's a tariff of 14¢ a lb. on butter. Nevertheless, so far this year, 1,870,320 lb. of butter from Argentina have been able to hop that tariff wall and find a profitable market. That gives you some idea of what's been happening to butter prices. But cheese has been an even more impressive performer. Normally, it sells at about half the price of butter per pound. Lately, it's been selling at two-thirds the butter price. Evaporated milk and fluid milk have also shot up spectacularly. All this, despite increased production. The explanation? In a word, lease-lend; in detail—page 33.

LABOR POLICY—OR PRACTICE?

Sidney Hillman came to OPM as a practical labor leader. As boss of OPM's Labor Division, he has been following what he calls a practical policy for averting defense strikes. But now one labor case raises the question of whether his policy is really practical, another the question of whether his practice is really a policy—page 16.

WHERE TO FIND IT

WASHINGTON BULLETIN

FOR BUSINESS BY BUSINESS WEEK'S WASHINGTON BUREAU

Economic Coup

In the welter of pessimistic war reports from Russia, don't lose sight of a major United States victory on the economic battlefront. The trade pact with Argentina signed this week is a triumph over bitter farm-bloc opposition at home, deeply entrenched pro-Nazi groups in the Argentine, and a deep-seated British opposition which was overcome only after the collapse of France made London desperately dependent on the goodwill of Washington.

The pact is important as a major link in this country's new hemisphere defense program rather than for the added trade it will stimulate. It puts an end to Britain's preferential hold on the Argentine market. It pushes the country into the hemisphere program by allowing Buenos Aires to make special tariff concessions to neighboring countries. It removes the most formidable barrier—long-standing Argentine antagonism—to Washington's entire defense program.

More Coming

Look for other decisive hemisphere moves in the next few weeks. A settlement with Mexico on all outstanding problems—including oil—will be followed almost immediately by cooperative defense developments, including closer coordination of Mexican and U. S. naval and air defenses. Washington forced the expulsion of the Panamanian president last week as a warning to at least two other Caribbean governments deeply involved in pro-Nazi intrigues. Creation of a special Caribbean Division in the State Department is the beginning of a vast new program of commercial as well as cultural development among rich but backward neighboring countries.

• **U. S. Means Business**—With Argentina cooperating, economic warfare will be intensified speedily and ruthlessly. Countries that cooperate will be able to borrow in Washington if they are pinched, will get priorities on desperately-needed supplies, and assured delivery space on overworked coastal ships. Those that refuse will be penalized. Economic warfare is passing beyond the blueprint stage. From now on Washington means business.

Subcontracting Aid

Floyd B. Odlum, director of OPM's contract distribution division, is seeking a $200,000,000 revolving fund to be used in financing small firms to take on defense subcontracts. Significantly, Mr. Odlum doesn't want Federal Loan Administrator Jones to have the fund. Mr. Jones is criticized (BW—Oct.11'41,p15) for being too slow in financing plant and equipment.

Odlum's plans include promotion of the pooling of the facilities of manufacturing concerns that can't handle defense business single-handed. Pioneered by York, Pa., firms, the plan is now being tried out in Toledo on a much larger scale.

• **Legal Blessing**—With widespread extension of the pooling plan hoped for, OPM has belatedly asked and got the Department of Justice to clear such cooperative arrangements under the anti-trust laws.

Retail Price Curb

Retail prices will feel Leon Henderson's velvet glove—if the OPA boys can decide whether to use the right hand or the left. One faction wants to extend the present commodity setup to include retail price control, so that the lumber section, for example, would deal with furniture prices. Another faction is urging establishment of an entirely new division of OPA to deal with retail prices exclusively.

Commodity specialists, following the Henderson line, argue that retail price changes are dependent on price changes in the basic constituents, that a retail price division would only remove the problem one step further from solution.

• **Quick Freezers**—As a class, advocates of direct retail price control lean to the Baruch theory that all retail prices should be frozen to begin with, then thawed only as warranted.

Labor Policy Coordination?

A committee that would coordinate all the government's labor agencies and fix over-all policy for them all is being considered in Administration quarters. The plan was incubated by Wayne Coy, the President's liaison with the Office for Emergency Management.

Coy believes that representatives from the NLRB, the Labor Department, Sidney Hillman's OPM Division, and the various mediation boards should make up the group. Under Coy's plan, the committee would pass on controversial problems so that all the labor agencies might move in a single direction instead of half a dozen as they do at present (page 16).

• **Hope**—One hope is that the committee would be an effective government weapon for peace in labor's ranks. Of course, the committee would be subject to F.D.R.'s orders.

Car Owner? $5, Please

When passenger car owners next year begin paying a $5 per annum use tax on their 27,500,000 vehicles, the Bureau of Internal Revenue will do the collecting. The recent tax law permits the bureau to utilize the services of the Post Office Dept. in the sale of stickers evidencing payment of the tax but this scheme has been abandoned.

The Treasury had no relish for this tax because of the headaches incident to collection but it was decided to tackle the job single-handed. District tax collectors and their deputies will take lists of local registrants, mail them application blanks that, when returned with the fee, will entitle them to the sticker.

• **Follow-Up**—If such notice is ignored, a demand will follow, also by mail. When that fails, deputy collectors will try, by personal contact, to put the heat on enough cases to induce general submission.

Ford Too Exclusive

Henry Ford, like many another industrialist, is learning that when the labor movement puts two bitterly opposed unions into the game, you have got to play your labor hand close to the vest.

The Ford company thought it had bid a final farewell to the National Labor Relations Board when it signed its history-making closed-shop contract with the C.I.O. last June (BW—Jun.28 '41,p49). Inducement to sign was a C.I.O. and NLRB promise to drop pending action against the motor maker. But this week the A.F.L. brought NLRB back again with a complaint that C.I.O.'s proof of a majority qualifying for exclusive bargaining rights extended only to the two plants in which elections were held, that the Ford contract can't be extended to 14 unpolled feeder plants in which A.F.L. claims a majority, that employees in these plants should recover pay checked off by Ford to meet C.I.O. dues.

NLRB has been maneuvered into calling further elections and A.F.L. gains time to unsettle the Ford settlement.

Lid on Copper

Absolute prohibition of the use of copper and bronze in a wide variety of merchandise is imminent. Donald M. Nelson, director of priorities, states this

week that it's "not pleasant" to issue such an order but that a "rosy" estimate of the 1942 supply of copper is only 1,800,000 tons (BW—Oct.11'41, p17). Of this total, defense and essential civil uses—power, transportation, communication—will take 1,500,000 tons, leaving only a doubtful 300,000 tons for "ordinary" civil uses which normally consume 1,000,000 tons.

Zipper Reprieve

Reprieve was in sight this week for the zipper industry which has teetered on the brink of a complete shutdown in the face of shortages of essential raw materials—copper, nickel, and zinc (BW—Sep.27'41,p44). Civilian Supply Branch of OPM has recommended a program which would assure the industry approximately 40% of its normal metal needs. The priority pinch on nickel is so severe that it will not be forthcoming, even under the government allocation program, but slide-fastener manufacturers can get along with a copper-zinc alloy.

• **Cause Célèbre**—If Meadville, Pa., site of Talon, Inc.'s big plant and virtually a one-industry town, hadn't been a well-publicized example of priorities disemployment and high up on OPM's list of 50 threatened cities (BW—Sep.13'41, p15), the slide-fastener industry might have got short shrift in Washington. This week, OPM certified Talon to the War Department as a company facing severe disemployment. This means Talon will receive defense orders to the fullest extent practicable.

Industrial Conservation

After weeks of milling around in OPM, a Bureau of Industrial Conservation has been set up in the Division of Purchases under the direction of Lessing J. Rosenwald, former board chairman of Sears.

The new bureau consolidates OPM's previous activities on conservation and salvage of scarce materials, revision of specifications, and simplification of design of both industrial and consumer goods. It does not embrace the efforts of OPA's Consumer Division to establish, under government auspices, generally uniform standards of quality and performance for all manufacturers' lines.

Court Quandary

The President may have unwittingly given Bethlehem Steel Corp. a break by his Supreme Court appointments—a $13,000,000 break. Before the high court is the government's suit against the company to recapture alleged excess-profits on old World War contracts. However, the case can't be heard before the present court since Chief Justice Stone and Justices Roberts, Murphy and Jackson are all disqualified, having had interests in the case before their court appointments. This leaves only five members of the present court eligible to act, whereas a quorum of six is required. Now the Justice Department is trying to decide whether to drop the case or wait until there is a change on the bench.

Whisky Bottleneck

Present stalemate in the Army-OPM plan to utilize the alcohol capacity of whisky distillers (BW—Oct.4'41,p20) is due to the Federal Alcohol Tax unit's inability to license distilleries for simultaneous production of industrial alcohol and whisky. The law obliges distillers to shut down whisky stills when running alcohol stills, and vice versa. Distillers now may produce both pure alcohol at 190 proof and whisky but only if the alky is cut to 160 proof—enough to render it unfit for industrial purposes.

To break this bottleneck, Rep. Dirksen of Peoria—home of the world's largest distillery—has put in a bill to relieve distillers of the requirements to cut their alcohol below 190, the proof needed for smokeless powder and important industrial uses.

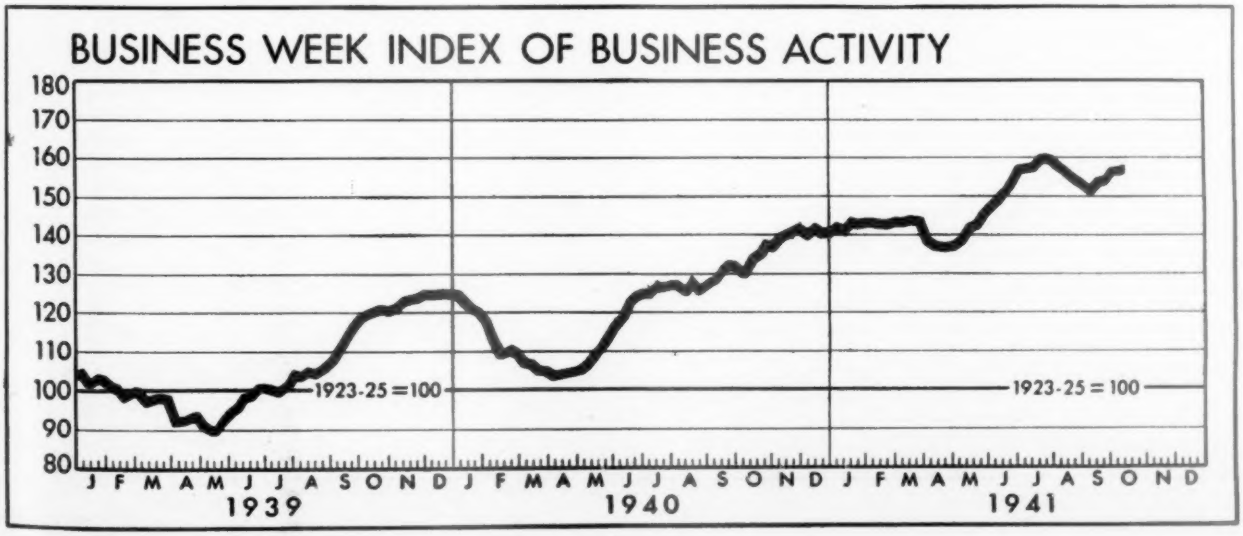
P. S.

New definition of "strip tease"—trimming the plans and specifications for a structure or product to curtail use of critical materials, as a prerequisite to the granting of a priority rating. . . . Chlorinated solvents have been placed under priority control. "Ladder" ratings of A-10 have been assigned to defense orders, B-2 for fire extinguishers, grain fumigation, refrigerants, food, chemical, rubber and petroleum processing, and B-8 for other specified civilian uses, including dry-cleaning and fumigation. . . . Import duty on Canadian paperboard may be added to OPA's ceiling prices. . . . Defense personnel, mainly OPM, now numbers 3,900. Expansion to 10,300 by Jan. 1 is in the works, including 4,000 by the Division of Contract Distribution. . . . A move is under way by several persons close to F.D.R. to ease out Nathan Straus as USHA administrator. It's proposed to give Straus an advisory job on housing in OPM. . . . Rumors that Donald M. Nelson isn't being backed by F. D. R. are emphatically denied by SPAB's executive director: "Up to this minute I've been supported 100%." . . . The extent to which manufacturers can adapt themselves to Army Ordnance production is illustrated by the 105-mm. howitzer just accepted by the Army. Vilter Mfg. Co., refrigerator maker, made the gun proper; Byron Jackson Co., manufacturer of oil well supplies, made the recoil mechanism; Pullman Standard Car Co. made the carriage.

FIGURES OF THE WEEK

	§ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX (see chart below)	*157.6	†157.3	154.5	138.0	134.4
PRODUCTION					
Steel Ingot Operations (% of capacity)	98.4	98.1	96.1	98.3	94.4
Automobile Production	79,065	76,820	53,165	99,260	108,457
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands)	$17,294	$19,797	$20,610	$16,698	$21,665
Electric Power Output (million kilowatt-hours)	3,315	3,290	3,281	2,882	2,817
Crude Oil (daily average, 1,000 bbls.)	4,071	3,861	4,034	3,604	3,642
Bituminous Coal (daily average, 1,000 tons)	1,850	1,825	1,927	620	1,460
TRADE					
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	93	93	91	85	83
All Other Carloadings (daily average, 1,000 cars)	60	60	61	31	51
Check Payments (outside N. Y. City, millions)	$5,548	$6,136	$5,105	$4,794	$4,212
Money in Circulation (Wednesday series, millions)	$10,237	$10,183	$10,036	$8,993	$8,199
Department Store Sales (change from same week of preceding year)	+34%	†+23%	+12%	+17%	+1%
Business Failures (Dun & Bradstreet, number)	210	172	169	240	270
PRICES (Average for the week)					
Spot Commodity Index (Moody's, Dec. 31, 1931 = 100)	210.7	213.7	218.5	186.9	163.3
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	145.6	145.1	145.9	134.6	115.8
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	157.5	161.5	165.6	135.9	117.9
‡Iron and Steel Composite (Steel, ton)	$38.15	$38.15	$38.15	$38.15	$38.07
‡Scrap Steel Composite (Iron Age, ton)	$19.17	$19.17	$19.17	$19.17	$20.67
‡Copper (electrolytic, Connecticut Valley, lb.)	12.000¢	12.000¢	12.000¢	12.033¢	12.000¢
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.13	$1.15	$1.16	$0.88	$0.81
‡Sugar (raw, delivered New York, lb.)	3.50¢	3.50¢	3.50¢	3.38¢	2.78¢
Cotton (middling, ten designated markets, lb.)	16.66¢	16.97¢	17.61¢	11.14¢	9.32¢
Wool Tops (New York, lb.)	$1.303	$1.309	$1.322	$1.260	♯
‡Rubber (ribbed smoked sheets, New York, lb.)	22.50¢	22.50¢	22.50¢	23.07¢	20.38¢
FINANCE					
90 Stocks, Price Index (Standard & Poor's Corp.)	77.9	80.1	81.7	76.4	84.0
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's)	4.28%	4.28%	4.30%	4.35%	4.57%
U. S. Bond Yield (average of all issues due or callable after twelve years)	1.90%	1.92%	1.94%	2.01%	2.09%
U. S. Treasury 3-to-5-year Note Yield	0.39%	0.38%	0.32%	0.54%	0.45%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6-months, N. Y. City (prevailing rate)	½%	½%	½%	½–⅝%	½–⅝%
BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks	24,400	24,277	24,503	23,430	21,238
Total Loans and Investments, reporting member banks	29,132	29,125	29,230	27,138	24,327
Commercial and Agricultural Loans, reporting member banks	6,501	6,447	6,310	5,494	4,672
Securities Loans, reporting member banks	920	922	1,025	952	871
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	14,307	14,301	14,496	13,477	11,858
Other Securities Held, reporting member banks	3,749	3,800	3,759	3,815	3,669
Excess Reserves, all member banks (Wednesday series)	5,210	5,190	5,111	6,027	6,816
Total Federal Reserve Credit Outstanding (Wednesday series)	2,265	2,244	2,255	2,235	2,445

* Preliminary, week ended October 11th. † Revised. § Date for "Latest Week" on each series on request.
♯ Not available. ‡ Ceiling fixed by government.

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THE OUTLOOK

Business Moving on a Plateau

Distribution sector suffers as transition to all-out defense restrains consumer-goods output, causes job dislocations, and advances living costs to detriment of real purchasing power.

For several months, the volume of business activity has held more or less on a plateau (chart on page 11). And no important upturn appears in the immediate offing. For the time being business has lost its oomph—its defense-inspired resurgence. That is because a change has come over our economy. In the early days of the war effort, expenditures for armament stimulated a demand for consumer goods, and consumer-goods production increased. But now further expansion in defense production, instead of stimulating consumer-goods output, will in some cases reduce it. Witness restrictions on refrigerators, washing machines, nondefense residential building, and so on.

Auto Cuts a Blessing?

Furthermore, consumer demand is not as resilient as it was two or three months ago. Higher prices have curbed civilian appetites for the new automobiles, despite the sharp reduction in output. Indeed, the OPM cuts come as partial blessings in disguise. As Business Week pointed out five months ago, some falling off in 1942-model sales was inevitable after two such bumper model-years as 1940 and 1941 (BW—May31'41,p13). Then, prospective car-buyers had borrowed from the future; and "the future" happens to be now.

"Real Buying Power"

Henceforward, prices will become an increasingly important factor in sales resistance. Recently the cost of living has started to advance faster than national income. That means that aggregate wages, salaries, etc. are not keeping pace with prices, that "real purchasing power" is not going up. Whenever that happens, housewives think twice about expenditures. The following table indicates the trend:

	Income	Cost of Living	"Real Buying Power"
Jan.	121.3	100.8	120.3
Feb.	123.0	100.8	122.0
Mar.	123.7	101.2	122.2
Apr.	124.5	102.2	121.8
May	128.4	102.9	124.8
June	131.0	104.6	125.2
July	132.6	105.2	126.0
Aug.	133.5	106.0	125.9

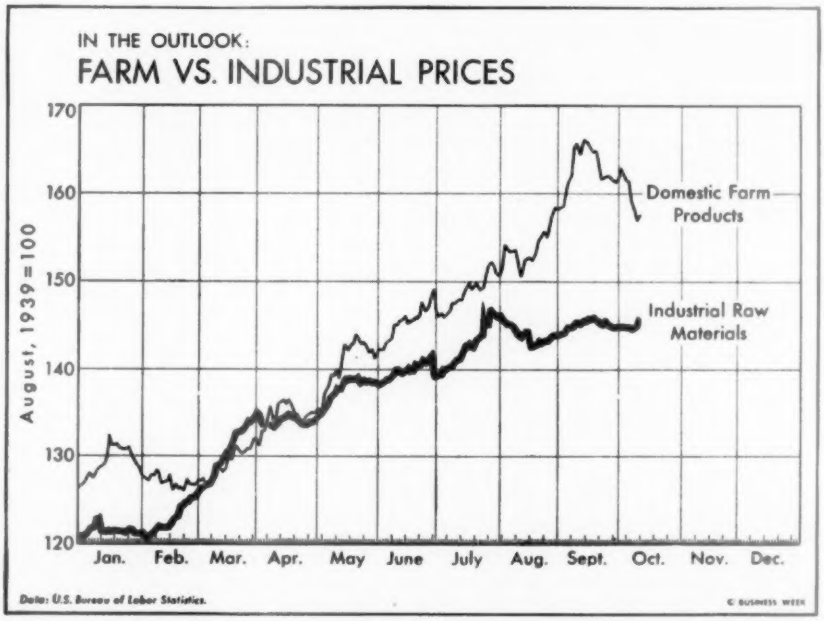
Incidentally, if you were to use "wholesale prices" as a measure of costs instead of "cost of living," real buying power would show a drop since May. And no major shift impends. For one thing, the nation's production machine is operating in high gear and up to capacity; so any big increase in employment and payrolls (hence in national income) will have to wait upon new armament plants coming into operation; for a second reason, priorities dislocations during the next few months will tend to offset accessions in employment in armament industries.

Moreover, consumers have become less urgent in their buying attitudes. In August, on the silk-stocking scare (BW—Aug.9'41,p13), housewives rushed to stores in fear of inflation and shortages; last month, they flocked to retail counters in order to beat the new federal tax schedules. But now the ultimate consumer is likely to settle down to normal buying—letting consumption and purchases more or less balance. Indeed, having stocked up, it is quite possible that consumers will hold off for a while and live on their inventories. Therefore, retail sales comparisons with a year ago may not show the big 10% to 30% gains of recent weeks.

In some areas, merchants are already feeling the effects of higher prices and employment dislocations. Retail sales in automobile centers, as an instance, have been "slow" in recent weeks. The Detroit chapter of the National Association of Purchasing Agents observes that "business is flattening out" and "inventories have reached their peak." That, however, hardly is indicative of national conditions. In New England, which has not been so badly hit by priorities, the purchasing agents report that forward buying is still continuing.

Business Pattern

The period of business adjustment to war—to repeat the theme of recent "Outlooks"—is bound to be painful. The transition occurred first in produc-



This chart illustrates what happens to a price structure that is half fixed and half free. Domestic farm prices, which are not subject to federal price ceilings, advanced persistently from February into September. Then, suddenly a sharp decline occurred. On the other hand, industrial raw materials—after a not-quite-so-dramatic rise early this year—have held on a plateau for more than two months; the basic reason is that 11 of the 16 commodities in this index have been price-fixed in one way or another by the Office of Price Administration. And so long as industrial raw materials are subject to control and farm products are not, it is reasonable to expect that farm quotations will fluctuate more violently than industrial commodity prices.

tion; but now distribution houses—both wholesale and retail—are feeling the effects. And future headlines about priorities unemployment (page 84), **ghost towns**, increased diversion of critical materials to defense production, and stricter government controls over industry are certain to depress business sentiment (BW—Oct.11'41,p13) and perhaps stock and commodity markets. However, along toward next spring, the transition will have been virtually completed; new arms plants will be in production, and employment and payrolls will be on the rise again. And as production picks up, so will payrolls, and retail sales. That is the basic business pattern to bear in mind over the next 90 to 180 days.

Strike Eruption

Increase in labor trouble marked by intra-union battles. NDMB's action at Bendix brings talk of "another Kearny."

Eruption of new labor disputes within the last ten days set the stage for what looked like another "Kearny seizure," threatened vital defense production, crowded the National Defense Mediation Board's docket, and jolted the strike statistics into a sharp climb.

Products whose output was affected included aircraft parts, tank and truck parts, chemicals, ships, and autos. The interdependent nature of defense industry meant that this new strike cycle was cutting pretty close to the heart of "war work." Responsible for the stoppages were the usual causes: differences over wages, demands for the closed shop, and union recognition. But, and it was taken as an ominous sign, jurisdictional strikes called by one labor organization against another were on the increase.

Among the more important strikes:

• **Air Associates**—Charged by an NDMB panel with being the first company ever to walk out of a hearing, Air Associates, Inc., at Bendix, N. J., seemed headed for real trouble. A long-standing dispute with C.I.O.'s United Automobile Workers Union had twice curtailed production of airplane parts. On July 30, an 18-day strike ended when both union and company agreed to go before NDMB. But before the board could consider the question of whether the union should have exclusive bargaining rights, the issue in the strike, NDMB was notified that the company had refused to rehire about 100 strikers. On ordering their re-employment pending a hearing, the board was informed by the company that the men could not be taken back to work immediately but would be given jobs as soon as possible. At this point, NDMB formulated its recommendation "the men are to be rehired immediately," announced that the company had "walked out," closed its file with the statement, **"the case is now out of our hands."**

ALL OUT AFTER ARNOLD

After a week of speechmaking, the American Federation of Labor convention in Seattle, Wash., got down to its major business this week—which proved to be the launching of an all-out campaign to get rid of Assistant Attorney General Thurman Arnold. According to A.F.L. spokesmen who consider his trust-busting activities fatal to their interests, he is "the biggest threat to organized labor that America has ever produced."

Observers recalled that the same **"out** of our hands" statement had preceded the government takeover at Kearny (BW—Aug.30'41,p15). A Washington announcement to the effect that the company was "a vital defense plant" having orders for $5,000,000 in aircraft parts for Brewster and Curtiss-Wright planes seemed to forecast drastic action.

• **Spicer Manufacturing Co.**—Production on 70% of the Army's light tank and "jeep" car orders slowed down as an A.F.L.-C.I.O. jurisdictional fight stopped work on transmission parts in the plant of a Spicer subsidiary at Hillsdale, Mich., and at the parent company's plant in Toledo. Army men testified that if the strike, which at midweek kept both plants down, continues beyond next week, the whole Army mechanization program would be seriously threatened. At the root of the dispute is the intense union rivalry which has often taken a toll of defense output. Spicer, where the C.I.O. is recognized by the company, is down because of a boycott against parts which are shipped to that plant from the Hillsdale Steel Products Co. Hillsdale parts are made in a plant in which the A.F.L. won representation in a recent Labor Board poll by a one-vote majority. The C.I.O. claims that its members are now being "systematically discriminated against by the company and the A.F.L. which are acting together." In retaliation, the C.I.O. called its members out of Hillsdale—precipitating violence at the plant gates which led to the company's decision to close until the dispute was settled—and put the boycott in effect at Spicer. When government conciliators tried to get an agreement between the two unions after the company said it was only an innocent bystander, their labors proved fruitless. By midweek they had decided that the company was a party to the dispute and had got the case certified to NDMB.

• **Railway Express Agency**—Railway Express service was stalled in Detroit because of a jurisdictional dispute between two A.F.L. unions—teamsters and railway clerks—over which should man the company's trucks. Important defense material was accumulating in Detroit warehouses as well as in Chicago, New York, and other important centers.

Other strikes were causing costly idleness at the Robins Dry Dock and Repair Company in Brooklyn, where a C.I.O. union tried to enforce a closed shop; at the Midland Steel Products Co. in Cleveland where another C.I.O. union, striking for job reclassifications, had halted work on auto frames; at Pascagoula, where an A.F.L. union struck Ingalls Shipbuilding for higher wages.

Lease-Lend Tangle

Loud protest that British competition follows business-as-usual policies lays blame on both London and Washington.

Just when Congress is buckling down to the task of easing the Neutrality Act in order to allow United States freighters to mount guns for their own defense, and in the same week that the House approved the second lease-lend bill which aims to provide another $5,985,000,000 of defense aid to the democracies and Russia, a serious rift in Anglo-American trade relations has come to light.

• **Started in Latin America**—The trouble, smoldering now for several months, started when American exporters ran into serious competition from British machinery manufacturers in several bitterly-contested Latin American markets just after the Lease-Lend Act—with its threatened restrictions on our own normal business—went into effect last March. That particular rift has since been smoothed over.

A few months later business concern was again aroused when it was revealed that Washington's export blacklist contained more names than London's. This was followed by troublesome rumors that Britain was using borrowed tankers on Empire runs far from any major defense bases.

• **Exporters Take Action**—But the climax to a swelling wave of acrimony came last week at the National Foreign Trade convention when one speaker declared bluntly that the British "in the routing of their ships, the supplying of foreign markets, and the extension of the sterling bloc have not always applied policies which are consistent with the spirit of cooperation they now profess." This was what was behind the convention's formal resolution that:

"The exigencies of the present emergency should not permit regulations prejudicial to the continuity of the efforts of American manufacturers, merchants, and agents in all markets to maintain their normal machinery of sales and distribution and their competitive position and good will."

• **Long-Term Aspects**—Thus 1,200 of the country's leading foreign traders have pushed into the limelight a problem which has been causing increasing alarm in both Washington and London. But trade criticism isn't confined to the lease-lend tangle. William S. Culbertson, formerly vice-chairman of the U. S. Tariff Commission, epitomized another thorny problem of longer-range significance, when he declared:

"The present is not too soon to define the trade relations which are to exist between the United States and the British Empire after the war. If the issues of commercial policy cannot be settled as they should be, the American government should now condition its aid to the British on the removal of discriminations which exist in the British Empire in various forms against American trade and finance, and in foreign countries, resulting, for example, from British bilateral policies."

• **More Light Needed**—The refusal on the part of both London and Washington to reveal the full background of current transactions between the two countries is mainly responsible for the present unpleasant situation.

It is not generally realized, for instance, that Britain placed orders in this market totaling $3,600,000,000 between the time war broke out and last September (BW—Sept.27'41,p16). When lease-lend became effective, some of these orders were transferred so that the British no longer were obligated to pay cash for the goods. But many were never transferred and, in addition, the British have been incurring obligations for things not covered by lease-lend at the rate of about $100,000,000 a month even since March.

• **Must Pay the Bill**—The British claim they can meet these large current expenses only (1) by liquidating their American securities, (2) by exporting British goods to the United States, and (3) by selling to the United States newly-mined gold from such great Empire-producing areas as South Africa. Americans agree, but the exact status of transactions in these three categories is clouded in mystery.

Except for the report of Secretary Morgenthau to the House Foreign Affairs Committee last January, only fragmentary details of what American securities Britain holds have come to light. But last week, the Treasury Department's little-publicized testimony in connection with the new $5,985,000,000 lease-lend bill revealed that British dollar assets in the United States had shrunk from $4,483,000,000 at the beginning of the war to $1,527,000,000 on Sept. 1.

• **Trade Holds Up**—Britain's exports to the United States have been fairly well maintained. Where Australia has lost part of its market for wool because of the long haul to the United States, Malaya has gained tremendously from mountainous shipments of rubber and tin. And where Britain is unable to ship metals—except refined tin—to the United States, it has largely made up for the loss by increased shipments of whisky, woollen goods, and chinaware. But the British fear that they may not be able to maintain even these exports as defense business intensifies.

It was Britain's determined effort to maintain exports to other markets that really precipitated the showdown. The British have huge investments in the Argentine, for instance, and have had

When Secretary of State Hull led off the string of witnesses urging revision of the Neutrality Act this week before the House Foreign Affairs Committee, everything he said didn't make the papers, because witnesses are being heard only in executive sessions. That's one reason why Republican Representatives Fish and Tinkham, protesting "gag rule," didn't participate. They also objected to limiting hearings to two days.

little difficulty purchasing big supplies of tinned meat "on the cuff" in Buenos Aires. Yet it was in the Argentine that Britain was offering United States exporters the keenest competition. When the exporters complained that Britain seemed able to spare the metals and the machines when the United States was sacrificing a part of its own business to provide them to Great Britain under lease-lend, the business was stopped and Anthony Eden issued his now-famous statement of Sept. 10, in which he declared that Britain would "not apply any materials similar to those supplied under lease-lend in such a way to enable British exporters to enter new markets or to extend their export trade at the expense of United States exporters."

• **Another Objection**—But there is another kind of deal which has precipitated the wrath of foreign traders. During the last six months in which lease-lend shipments have been going to Brazil and India as well as Britain and China, a practice has grown up of including in the shipments materials which are not lease-lend items at all.

As an example, defense officials in India will okay for lease-lend delivery 500 trucks to be used on some of the military highways now being pushed along the Soviet and Iranian frontiers. These are legitimate lease-lend items and the transaction is handled as such. But India at the same time may want another 500 trucks for its regular business, or some private operator may persuade the Indian government that he can get deliveries only if the equipment is ordered at the same time the lease-lend order is put through. Together they may induce the United States to put through a lease-lend order for 1,000 machines, payment for 500 of which is provided at once as a private order.

• **Bypass American Salesmen**—This kind of deal has turned up both in the British Empire and in Latin America during the last six months. Local sales offices of American companies are bypassed. Old customers whom they have been unable to supply because of tightening priorities in the United States have occasionally been able to get deliveries by way of the lease-lend authorities.

For this breach in what they believe to be both the letter and spirit of the Lease-Lend Act, foreign traders place the blame squarely on Washington. But for the growing bitterness which has crept into Anglo-American trade relations in the last six months, for the 86 lease-lend cases that the British have been asked to explain, and for the recurring friction over competitive trade in foreign markets they blame both London and Washington because they have refused to give out enough factual information—and soon enough—to forestall misunderstandings.

What Labor Policy?

Whether Hillman's practice makes a policy and whether the policy pays is something that Congress is going to question.

Sidney Hillman and the officials of OPM's Labor Division say they are bewildered by the rising demand that the government make haste to formulate a labor policy. "There is a labor policy," they insist, "and it is as clear as reiterated statements and repeated action can make it."

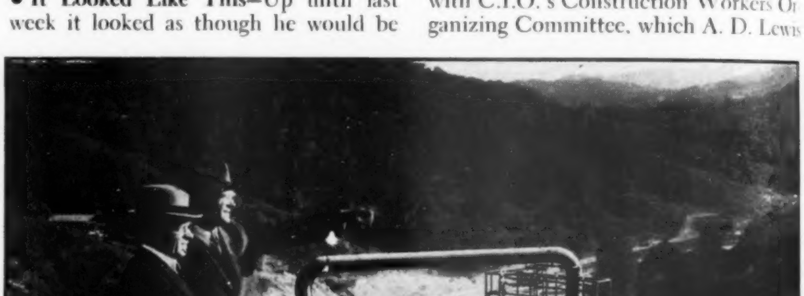
But when Hillman gets before the Truman Committee to answer questions about his rôle in the now-celebrated Michigan defense housing case (BW—Oct.11'41,p7), he's going to have to be convincing about the existence and practicality of the purported policy or face a full-throated congressional demand that he be removed.

• **It Looked Like This**—Up until last week it looked as though he would be likely to boil his policy down to this:

To secure labor peace and uninterrupted defense production in any sector of industry, pick a strong labor organization to police it. Choose the strongest union in the field and give it exclusive right to operate there in return for an agreement setting up wage and work standards and waiving the union's right to strike. To be sure, strikes have not disappeared from the building construction and shipbuilding industries where agreements have been made under such a policy, but Hillman will say he is sure that his industry-wide agreements have kept them at a minimum.

But it is going to be hard to justify that policy now that Congress has the Michigan housing case. And it's going to be hard even to prove that the dominant-union idea can be called a policy now that Congress has the telephone installation case (page 54).

• **That Michigan Case**—The Michigan housing case involves the Currier Lumber Co., which after years, of resisting unionization, signed a contract recently with C.I.O.'s Construction Workers Organizing Committee, which A. D. Lewis



KAISER'S GAMBLE

Far from the Washington battle scene, where his national defense labor policy was creating an inter-departmental row, Sidney Hillman (left), co-director of OPM, stopped off at Los Altos, Calif., near San Francisco, last week to see how Henry J. Kaiser's much-publicized $10,000,000 magnesium plant was progressing. (Right—Dr. Fritz Hansgirg, Austrian inventor of the process used at the plant.)

The ebullient Mr. Kaiser, who claims he has won his "$10,000,000 gamble" now that the Hansgirg process actually is producing magnesium in commercial quantities, told Mr. Hillman that output would be at the rate of 4,000 tons annually by the end of November, 8,000 tons by Jan. 1, and 12,000 tons by March 1 (twice as much as was produced in the U.S. last year). Construction of the plant began March 4, after RFC approved a loan of $9,250,000. The process uses magnesite ore from Nevada, petroleum coke from Los Angeles, natural gas from southern California, and electric power from the high Sierras.

(brother of John L.) has led against the American Federation's dominant position in the housing labor field.

In response to an announcement by the Federal Works Administration, Currier bid on a defense housing job in Wayne County, Michigan, and underbid its competitors by $523,000. Pleased by the economies promised and satisfied that Currier was both financially responsible and qualified to carry out the job, Federal Works Administrator Carmody was about to award the contract to the company, when he ran into Hillman's policy. The latter had signed up the dominant A.F.L. building unions with OPM and the government building agencies in one of his industry-wide stabilization pacts. When the A.F.L. unions threatened to renounce the pact (besides striking all Michigan defense housing) if Currier got any government business, Hillman moved to protect it and call off Carmody.

• **John Lewis Charges In**—The storm that immediately broke over Hillman got its thunder from John L. Lewis, ex-head of the C.I.O., and his arch-enemy. Lewis charged Hillman with playing labor politics and demanded his resignation. At the same time there were rumbles from Assistant Attorney General Thurman Arnold who denounced the OPM policy-maker and hinted that he was investigating the possibility that A.F.L. and its pact had fallen afoul of the Sherman Act.

Meanwhile Hillman went off to visit the A.F.L. convention in Seattle (page 14). He answered all queries about his Currier stand by repeating that it was government policy to treat with the dominant union in each field, to avoid jurisdictional quarrels, to extend the stabilization pacts. In Washington, his associates went further. They asked, "If the A.F.L. called its men off government construction could the C.I.O. take over its jobs?" and answered their own question, "Of course not." "So," they concluded, "we've got to deal with the one which can do the whole job and, at its insistence, we must deal with it exclusively."

• **Then the A.T.&T. Case**—In spite of the C.I.O. lobby, which at Lewis's direction put all the steam it could behind a fight for Currier, the case might have been destined for Thurman Arnold's limbo of lost causes were it not for the American Telephone & Telegraph Co.

In the A.T.&T. case, A.F.L. unions demanded that private contractors who employ A.F.L. members should be given the right to install telephone equipment which has traditionally been installed by A.T.&T. employees organized into independent unions. The issue arose about two months ago in building the Curtiss-Wright propeller plant in Beaver, Pa. When the demand wound its way up through conciliation to Hillman's desk, he referred it to the Board of Review attached to OPM's Labor Division. Since the representative of management and the representative of labor on OPM's three-man Board of Review are a building contractor and an A.F.L. union official, no one was surprised when they ruled in favor of the A.F.L.

But when that decision was put with Hillman's explanation that his policy was to "treat with the dominant labor organization," it almost blew the roof off. For, excepting a few unimportant local situations, A.T.&T.'s independent union of 150,000 employees is not only dominant in telephone installation but is the only labor organization in the field.

• **But He Makes It**—So the Truman Committee, created nominally to investigate defense contracts, is looking for a further explanation from Hillman. When he offers it a lot of people besides Currier and A.T.&T. will be listening carefully. For Washington knows, and industry is beginning to realize, that Sidney Hillman is Roosevelt's man; that, so long as he is in OPM, whatever labor policy prevails in national defense, be it consistent or catch-as-catch-can, it's going to be his policy. His interest in industry-wide collective bargaining, which the stabilization pacts exemplify, may be distasteful to business and it may be distasteful in one situation to the A.F.L. and in another to the C.I.O. but he's going to put all the pressure he can command behind it. Washington considers that statement "a word to the wise."

CHANGE OF HEART

A fortnight ago, employees of Consolidated Aircraft Co. of San Diego voted "no" on a Mediation Board proposal for settling their wage dispute (BW—Oct.11'41,p68). This week, they voted "yes" (above) because the company offered to make new wage scales retroactive to Aug. 5. Formerly, the workers had demanded that they be retroactive to July 5. Under the settlement, beginners are raised 10¢ to 15¢ an hour; other workers are raised 13¢.

Construction Edict

SPAB's building policy is designed to head off nondefense work, but it will ease completion of jobs already under way.

Anybody who can find a hammer, a keg of nails, and the other materials needed can go ahead and build anything he wants. If he doesn't actually have all the materials in hand, he's taking a chance. That, in effect, is the policy enunciated by the Supply Priorities and Allocations Board on Oct. 9 regarding public and private construction. SPAB simply will not permit issuance of priorities on critical materials for new construction which is not clearly necessary to national defense or to public health and safety.

This policy will prevent the starting of most nondefense construction, but SPAB's statement is not a limitation order such as was imposed on the auto industry. The statement is mainly significant as compelling attention to the increasing scarcity of construction materials. No large-scale job involving the use of metal can safely be undertaken without the aid of a priority rating. This situation really came to a head last month when priority plans for defense housing and defense

roadbuilding were set up. These plans still remain in effect. Since they accelerate the issuance of priorities to these types of construction, it means that a very large number of buyers are in the market armed with ratings. They tend to strip clean the limited supplies of materials and leave the buyer who has no rating in the cold.

• **Easing Situation**—As a matter of fact, SPAB has eased the situation in one important respect. Construction jobs now under way—nondefense as well as defense—of which a "substantial" portion has been completed will be given help in getting the materials needed to finish them, SPAB says. No special machinery is being set up to handle this matter, but construction men with a job half done have several lines of approach open to them:

If the difficulty lies in one specific item—reinforcing bars, nails, insulating board, or the like—the thing to do is to fill out a PD-1 form, an application for a priority rating, and send it to Donald Nelson, Priorities Director.

• **Rating for Whole Job**—If, however, the project is in constant difficulty with deliveries of all sorts of things, a better procedure is to write a detailed letter to the project rating section, Priorities Division, asking for a project rating on the job. The letter should describe the job in detail, tell what materials are needed and what efforts have been made to obtain them—including the names of suppliers canvassed.

In either case, the application should emphasize the degree of completion already achieved and should make specific reference to SPAB's new policy.

If the job is frankly a nondefense project, it would be well at the same time to get in touch with the lumber and building materials section of OPM's Division of Civilian Allocation. This section is now headed by John L. Haynes. If at all practicable, it is desirable to come to Washington personally rather than try to deal by mail. Despite all efforts to regularize procedure, it is still true as regards priorities that the wheel that squeaks loudest gets the grease.

• **Local Pressure**—One of SPAB's purposes in issuing its statement at this time is to forestall a flood of applications that can't be granted. It has asked local agencies which control the issuance of building permits to discourage applications in cases where the builder can't get material without a rating and where he is obviously not entitled to one. In most jurisdictions it isn't legally possible to refuse a permit on these grounds, but local governments can warn applicants they face trouble. SPAB also has asked for their cooperation in suspending, during the emergency, code provisions which call for excessive amounts of critical materials—steel, copper, brass, bronze, tin, aluminum.

Pointing to economy in materials obtainable by substitution, SPAB suggests that buildings erected for emergency use can be built to less stringent specifications. Whatever the language employed, this is an invitation to jerry building. Relaxation of some existing plumbing code standards in defense housing construction is being arranged by OPM with master and journeymen plumbers.

• **Warning to Agencies**—SPAB's policy statement constitutes a warning to federal agencies and Congress that they will get no special preference for nondefense public works. To date, federal agencies have used about the same procedures as private builders in getting priority ratings. The only blanket preferences granted to public agencies have been the special arrangements worked out with the Federal Works Agency in connection with its defense housing, defense public works, and road-building programs. Slum-clearance housing hasn't had priority ratings and won't be able to get them except where arrangements are made to house defense workers. Anyway, USHA has little money for new slum-clearance jobs and most of its work now is on defense housing. WPA will have trouble finding construction projects which don't use scarce materials. The Reclamation Bureau has been able to get ratings on projects involving power but not on others.

FIELD WORK

Chairman Wayne L. Morse, who heads the fact-finding board now conducting hearings in the dispute between rail labor and management over wages (page 56), climbed into a Santa Fe diesel cab last week for a trip from Chicago to Joliet. It is part of an on-the-ground study of labor conditions which will be considered by the board as it makes recommendations to the President for settling the dispute. Although the railroad unions have voted to strike, business is not disturbed about a transportation halt. The board's recommendations, due at the White House by Nov. 1, are almost certain to be accepted by both sides as they always have been in the past.

The civil functions section of the Army Engineers clears its priority applications through the Army and Navy Munitions Board in the same way that the military services do, but this doesn't mean it has had ratings on all its navigation and flood control projects. Each job is supposedly considered on its merits.

• **Holding Back**—In general, all the federal agencies have been holding back on initiating new nondefense jobs, in line with the President's policy (BW—Mar.22'41,p8) that such work should be deferred until after the emergency.

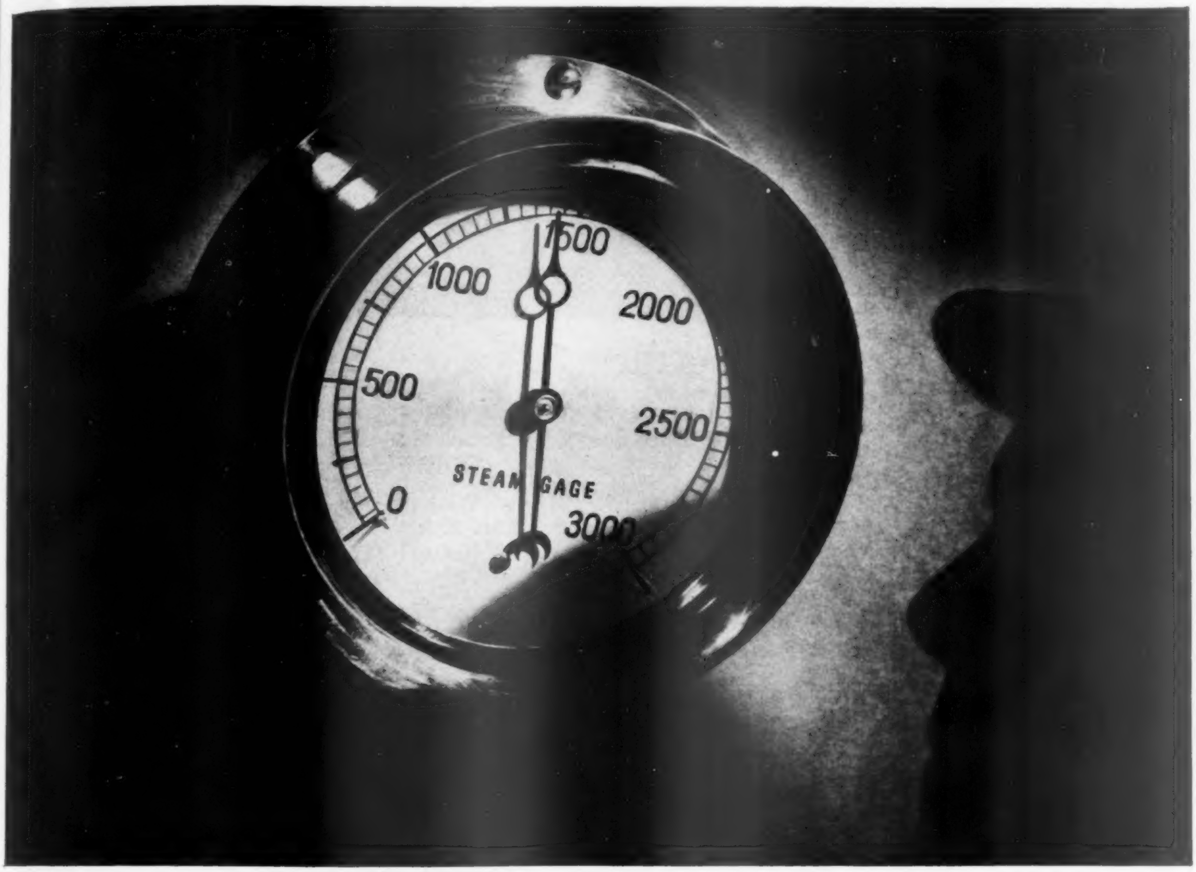
When it set forth its policy on construction, SPAB released some estimates of the probable effect of material shortages on the volume of construction. Its figures, however, are regarded with skepticism by statistical agencies—public and private—outside OPM. Most seem to think, for instance, that $11,200,000,000 is too high a figure for this year's construction. According to SPAB, defense work accounts for $4,900,000,000 of this estimated total. Next year, SPAB estimates, material shortages will cut the total to $8,500,000,000; something like $6,500,000,000 of it will be defense.

Construction employment this year is averaging about 2,700,000 men and is currently at a 3,100,000-man peak. Next year the average is expected to drop to about 2,100,000.

• **Contractors Confer**—The governing board of the Associated General Contractors is considering these matters this week at its Detroit meeting. Immediately after SPAB's announcement, President M. W. Watson of A.G.C. issued a statement saying that to restrict priority aid to defense and health-and-safety projects would throw 4,500,000 men out of work—1,500,000 at the site and 3,000,000 who produce and distribute noncritical construction materials.

"If this drastic blow to the construction industry is fully justified," Watson said, "the construction industry will accept it . . . but it should not be shut down without ample explanation . . . and assurance that other industries are expected to make equal sacrifices."

"*Unforeseen events* . . . need not change and shape the course of man's affairs"



THE HEAT'S ON...

Today, in the nation's defense, machine power is just as important as man power. Never before has production meant so much to America.

But as surely as an army travels on its stomach, machinery moves only when power is generated . . . by the steam boiler.

In common with most sources of power, the steam boiler is subject to afflictions—leaks, ruptures and breakdowns—which in all too many cases result in loss of power and serious delays in production.

For this reason, Maryland boiler insurance has long included the services of boiler inspectors—men who stop trouble before it starts—whose inspections frequently forestall costly mishaps and save the premium cost over and over.

The work of these men is particularly important now to defense production, while "the heat's on." Maryland Casualty Company, Baltimore.

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Machine Tool Jam

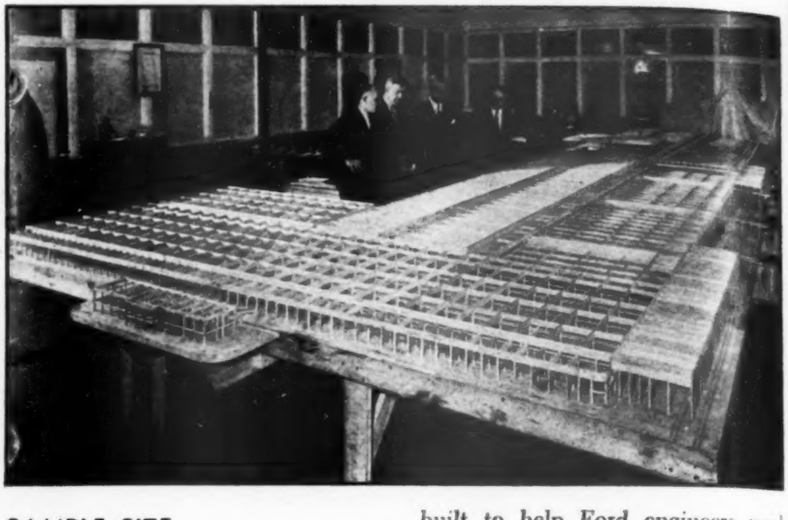
With Knudsen sounding call for 3-shift, 7-day operation, and with Henderson seeking ceilings, industry's problems pile up.

The defense program is crowding the machine tool builders again. Announcement last week by Leon Henderson that establishment of ceiling prices was under consideration by the Office of Price Administration was followed immediately by a request from Director General Knudsen of the Office of Production Management that builders work their critical tools seven days a week, increase the number of men on night shifts, and develop subcontracting "to the greatest possible extent." Further expansion of machine tool-making plants is in the wind as the Administration is demanding greater production. Tool builders had a powwow in Washington last week on this phase of their situation.

Declaring that demand for tools would be greater and greater as the defense program expanded, but that the addition of a relatively small quantity of critical tools would help materially to balance and increase the general output of all tools, Mr. Knudsen assured tool builders that OPM will make every effort to secure idle tools which may be available in nondefense industries. OPM has surveyed the possibilities in this direction (BW–Jun.28'41,p7) but is badly handicapped in rounding up idle tools by the emasculated form in which Congress finally enacted the "draft property" law last week. That law specifically prohibits the requisitioning of any machinery or equipment which is in actual use in connection with any operating factory or business.

• **Use of Priority Power**—OPM may be able to reach into nondefense plants for tools by use of the priority power to deny materials for the manufacture of the nondefense goods that are being turned out with the facilities. However, pulling tools out of going concerns is admittedly too drastic a measure for any general application, although a probably substantial number of tools can be obtained from plants whose operations are curtailed in the ordinary application of priorities.

Establishment of price ceilings will be discussed at a conference called by Henderson for Oct. 22. He had previously called the meeting for Oct. 10 but the tool builders objected to such short notice. Prices of various types of machine tools have been moving upward. The consolidated index of the U. S. Bureau of Labor Statistics for eleven standard nonspecialty machine tools has increased to 119.2 in August this year from the August, 1939, base of 100.



SAMPLE SIZE

Even a wooden scale model of the $47,000,000 bomber factory which the Ford Motor Co. is building at Willow Run, near Ypsilanti, Mich., looks like a whopper. The model is 1/96 of the actual size of the plant, which will have 3,700,000 sq. ft. of floor space, including hangars. The model was built to help Ford engineers work out problems involved in mass production of four-engine Consolidated B-24D bombers. Talking it over with other plant executives, above, is C. E. Sorensen (second from right). The L-shaped plant will have tool and machine shop facilities in the front section. Assembly lines will run the length of the plant's longer portion.

• **Second-Hand Prices**—Second-hand machine tool prices have been stabilized for several months by a differential percentage scale tied to the prices of equivalent new tools prevailing on March 1, 1941, when the Bureau of Labor Statistics index stood at 115.1. Henderson has relied to date on voluntary cooperation by the industry to control the prices of new tools. On price increases to date, the industry hopes Henderson will let bygones be bygones but apparently would not be surprised if he should propose cutting back the present prices of new tools on the ground that increased volume has cut the builders' overhead.

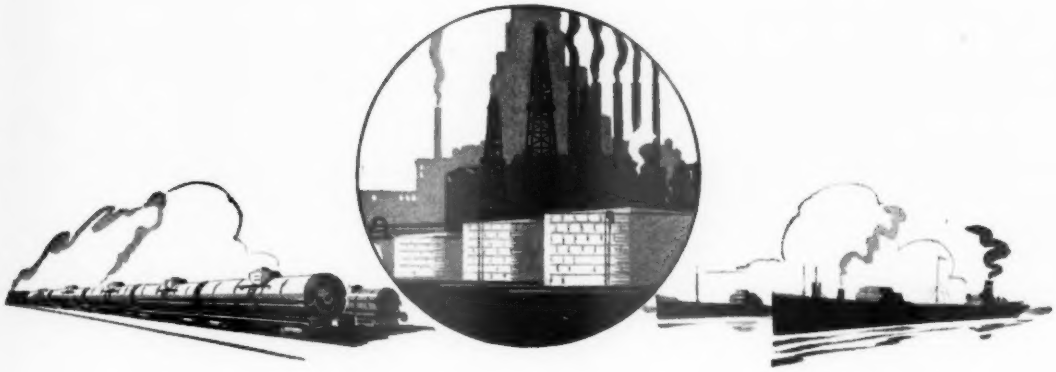
It goes without saying that the industry would like to avert a price ceiling order and will do its best to dissuade the OPA Administrator. There is talk in the trade of trying to induce Henderson to propose, as an alternative, that future prices be adjusted to such cost increases as are accepted as legitimate by OPA. This would be effected by inclusion of an escalator clause in all contracts. The industry is by no means unanimous on this proposition, however. The objection is that it would give Henderson's sleuths too many opportunities to pry into their books. Most tool builders would be joyful, of course, if Henderson simply would accept their pledge not to increase prices without his knowledge.

• **Orders Piling Up**—The industry's backlog of orders is piling up, is reported to be over $500,000,000. Part of the congestion is attributed by manufacturers to the anxiety of buyers. As a result, deliveries sometimes overtake construction of the plant in which the tools are to be installed. Some buyers also are reported to be displaying a tendency to splurge in tooling up at the government's expense, possibly figuring that they may get a chance to buy the equipment at junk prices after the war. Their orders call for all sorts of machine tools for specific purposes and all the attachments in the catalog, thus slowing up work greatly.

Going to three-shift, seven-day operations involves complicated problems of plant balance which, machine tool builders say, Washington's defense officials just can't comprehend.

• **Present Operations**—No machine tool plants are regularly working seven days a week, or three shifts a day at present. Average of weekly man-hours of 50.9 in July was higher, however, than in any other industry. Due probably to the July 4 holiday, this was a drop of 1.1 hours from June but the BLS reports for subsequent months (not yet available) are expected to show a recovery.

In connection with seven-day operation, the industry is plagued with state Sunday shutdown and one-day-of-rest laws. The National Machine Tool Builders Association is currently surveying the extent and nature of such laws and means by which plants can adjust seven-day operations to them by staggering workers.



Production Lure

Zinc price increase shows Henderson willing to pay more to insure bigger production of scarce materials for defense.

Defense officials are willing to pay better prices to insure higher domestic production of scarce materials. That's the story told by Leon Henderson's action, in his rôle of Price Administrator, in raising zinc by 1¢ a lb. This is the first boost in any of the leading commercial metals allowed by the Washington authorities in many months—but it probably will not be the last.

• **Change of Heart?**—In making the announcement, Henderson spoke of "utilization of lower grade ores and opening of new mines." From his past record, the Price Administrator might have been expected to coax "lower grade ores" and "new mines" to the front by giving them price differentials rather than by subsidizing the entire industry. It's Henderson who has so often said: "Why should we pay a bonus to 100% of an industry in order to bring in marginal operators who will add only 5% or so to total output?"

Now, however, Henderson has agreed to a 1¢ a lb. bonus for all zinc producers—and the rise from 7¼¢ a lb. (East St. Louis) to 8¼¢ amounts to nearly 14%. Consequently, it would seem that he either had a change of heart or discovered that there was more to the matter of encouraging zinc production than simply pampering "lower grade ores" and "new mines." Actually, the trade figures, it's a combination of both.

• **Good Record**—In the last analysis, the zinc industry has toed the mark on prices for a full year, and the defense officials give it an "A for effort" in its production program. Output in September of this year reached an all-time high of 2,441 tons a day (including zinc from imported ores) compared with 1,993 in the same 1940 month.

Several weeks ago some of the producers of zinc concentrates nudged up their prices. One of the big refiners announced that it would have to increase its finished zinc prices correspondingly. The Office of Price Administration prevailed on the refiner not to put the new price into effect until the whole matter had been studied, but the miners of the largest producing area in the Tri-State or Joplin field (Kansas, Missouri, and Oklahoma) meanwhile launched a campaign for higher prices on ore. This Tri-State area, incidentally, argued that it had to have a better price to keep miners from migrating to nearby cities to work in the new defense factories.

• **More Than Expected**—The cumulative weight of these factors, perhaps even more than the desire to bring in marginal production, would seem to have motivated Henderson's price decision. But most observers were surprised that the boost exceeded half a cent, and the general supposition is that Henderson has been generous on the theory that he can now say to the zinc trade: "You're getting a mighty nice price; I don't want to see or hear anything more of you for a long while!"

The years 1937 and 1940 have marked the recent highs for the domestic zinc industry, with mine output placed at 626,362 and 665,068 tons, respectively. The following tabulation shows how this production is divided by states:

	1937	1940
Arizona	5,026	15,456
California	20	70
Colorado	4,247	5,060
Idaho	54,199	70,601
Montana	39,168*	52,587
Nevada	14,236	11,833
New Mexico	23,927	30,313
Oregon	24	......
Utah	48,001	43,788
Washington	4,116	11,560
Arkansas	241	440
Illinois	......	4,818
Kansas	80,300	57,032
Missouri	20,600	12,703
Oklahoma	135,696	162,935
Kentucky	270	1,278
Wisconsin	6,938	5,770
New Jersey	101,408	91,406
New York	32,690	35,686
Tennessee & Virginia	55,255	51,927

** Montana output in 1937 was below normal due to drought which curtailed supply of electric energy available for smelter operation.*

Washington's improved showing in 1940 compared with 1937 is accounted for by opening of new mines, and the state will show another gain in 1941 on the basis of 8,444 tons produced in the first seven months of this year. Colorado is another state now returning good gains, due in part to the mid-year reopening of New Jersey Zinc's mine at Gilman, a property which had been idle since December, 1931.

• **Foreign Help Needed**—Even with increased domestic output, however, this country will remain dependent in an important degree on imports of concentrates from Latin America and Canada. Production from foreign ore contributed 31,500 tons to the United States' supply in 1940. For the first nine months of 1941 imports have totaled more than 60,000 tons and, judged by the steadily rising volume of foreign ore coming in, the year's figure should be very close to 100,000.

Domestic production promises to hit an all-time high of between 700,000 and 750,000 tons, so total supply for 1941 should be between 800,000 and 850,000 tons. And, with new smelter capacity coming in early next year, the 1942 output will show a further substantial rise, unless something should happen to cripple imports.

MOVING DAY

A stream of trailers rolled up outside the old Atwater Kent factory in Philadelphia last week when the U. S. Army Signal Corps began moving in to share the factory with Bendix Aviation Corp. (BW—Jan.18'41,p26). The trailers, which are used in the field for sending and transmitting, will be equipped with the latest apparatus at the Signal Corps' new depot, which will supply equipment for its stations from Iceland to the Far East.

Three Rooms in One—$4.75

MEMO TO A BUSINESS MAN: If you have an appointment you can't afford to miss, travel Pullman. Rain or shine, you'll get there safely.

IF you have never tried any other Pullman accommodation except a berth, why don't you—next trip—branch out and try a Pullman bedroom?

For a 300-mile overnight trip, it costs you only $4.75 plus your first-class rail ticket . . . and it brings you (all within four quiet walls) an office, a private bedroom, and a washroom all your own.

OFFICE: If you have some work to do, just pull up the folding table. Here, sleeves rolled up, nobody to bother you, you can really dig in and get things done. Or, if you *don't* have any work to do you'll find it a wonderful way to read and loaf.

BEDROOM: After undressing with all the elbow room in the world, you can roll into your incredibly comfortable Pullman bed—shut away from everything but the landscape outside. And the room is *air-conditioned;* you control the temperature yourself.

WASHROOM: Not so big as the bath back home, but *everything you need.* Wash bowl. Hot and cold water. Big mirror. Toilet. Space for toilet articles. All the crisp, clean towels you want. And it's *all yours.* Nobody to share it with!

HAVE YOU TRIED THESE SPECIAL PULLMAN ROOMS?

ROOMETTE. A very compact room for one person, with complete toilet facilities. Bed folds in wall in daytime, lowers at night, all made up and ready. Costs only a little more than lower berth.

BEDROOM SUITE. Connecting bedrooms affording one big room or individual accommodations. If both upper and lower berths are occupied this suite takes care of 4 people *for less money* than they would pay for 4 lower berths.

DRAWING ROOM. Last word in comfort. Has upper and lower berths and sofa which makes down as a bed. Complete toilet facilities in separate room. $6.60 plus 1st class rail ticket per 300-mile trip.

For Comfort, Safety and Dependability—Go Pullman

Scrap Crackdowns

To assure supply for steel defense needs, OPM promulgates priority order. Henderson hits ceiling price violator.

To avert curtailment of steel production, iron and steel scrap has been put under full priority control after a month of dickering in OPM. Deliveries will be directed by OPM to relieve serious day-to-day shortages. The action of Donald M. Nelson, director of priorities, may have been in part precipitated by the convention in San Francisco of the National Association of Waste Materials Dealers. While not ranking in importance with the Institute of Scrap Iron & Steel as representative of the old ferrous material field, the waste dealers handle a lot of scrap.

Meanwhile, pressure to gather scrap and rush it to steel plants has been intensified. The nationwide campaign to junk worn-out automobiles (BW–Sep. 20'41,p22) has been expedited with extension of the drive to Indiana. Plans have been completed to push further the East-to-West movement. It is now about to reach the "remote" areas where, to encourage collection, OPA authorized sharp price increases over the former ceiling (BW–Oct.4'41,p8).

How much scrap will be recovered from junked jalopies? No one knows. OPA merely hopes the collection will be at least 1,000,000 tons "and possibly several times that." The lack of any certainty about how much scrap could be collected at present fixed prices accounts for the strict mandatory priority control which severely restricts scrap to defense purposes. Effective Oct. 11, the order requires producers, dealers, brokers, and consumers of scrap to make monthly reports to the Priorities Division on inventories, production, and sales.

Framing of the order involved disagreement within OPM regarding distribution of scrap. First, there was a row whether the broker should be made a more or less conspicuous intermediary in finding and merchandising scrap. Then there was also the question whether the steel mill should become more or less active as a direct buyer from the producer, thus bypassing the dealer and broker. The sharp argument was settled by "compromise" to freeze existing practices as nearly as possible. This has allayed fears of the broker that he would be removed from his traditional rôle as a scrap trader. Definitely he stays in the picture.

The priority order points to greater stabilization of scrap prices. The OPA ceiling prices have been widely disregarded (BW–Aug.9'41,p26). Hardly had the order been issued when Price Administrator Leon Henderson announced that one of the largest brokers and dealers had agreed to refund to buyers all amounts collected in excess of ceiling prices since Sept. 2. With a strong flavor of crackdown, Henderson's statement served notice that this was the first direct step to compel strict compliance with the scrap ceiling and that unless others stick to taw the OPA will take action against them.

Unscrambling Job

Washington weighs plan to handle financing of facilities for defense that are mixed up with existing plant.

In his SPAB-approved steel expansion report (BW–Oct.11'41,p20), W. A. Hauck, OPM's steel consultant, pointed out that new production can be provided more quickly and with less cost by additions to the facilities in existing steel plants than by building separate units to handle the extra output now demanded. It's a recommendation that makes sense for defense expansions in many industries outside steel. But where such expansion, financed by the government, is inseparable from going commercial plant, it creates an accounting problem that Mr. Hauck says no government financing plan is sufficiently flexible to handle.

• **New Formula Coming**–The steel program brings this problem to a head and may bring a solution that will provide a pattern for financing plant expansion in all industries in which old facilities and new ones of defense origin must be unified for efficient operation.

Details of the formula, now before the Defense Plant Corp., a Jesse Jones government-financing subsidiary, are being withheld pending determination of its specific form. It will provide terms by which the steel companies will take over the new facilities, the government, meanwhile, keeping title and leasing them for operations. Contrary to published reports, the terms of the formula will not require a company to complete purchase of defense additions at the end of the emergency or in five years. Payment terms are expected to be much more liberal and it is well within the probabilities that the period will be extended to 20 years or even longer.

• **Wants Quick Action**–Adoption of the "scrambled facilities" financing formula by DPC is reported imminent with Mr. Hauck urging a quick solution of the difficulty. He reported that the expanded steel facilities will not be self-liquidating and that their normal depreciated value will be in excess of their subsequent value, unless the emergency is of long duration.

Alcoa's Clean Bill

Exonerated on monopoly charges, Aluminum Co. also wins on conspiracy and price-fixing issues. U. S. to appeal.

It's now just a matter of how soon the Department of Justice will get around to appealing its antitrust action against the Aluminum Co. of America to the Supreme Court. Federal Judge Francis G. Caffey, in closing a 10-day decision in the four-year-old action, paved the way for appeal by throwing out every phase of the government's case. Just as he had ruled that there existed no illegal monopoly (BW–Oct. 11'41,p16), so he went on to sweep aside allegations of conspiracy and improper conduct, involving such restrictive practices as price-fixing.

He asserted that the government had not proved any conspiracy to control prices or competition within the United States, he held the stock ownership by Alcoa of Aluminum, Ltd., a Canadian corporation, to be perfectly proper, and he failed to find sufficient evidence to prove a conspiracy to keep aluminum produced abroad from entering the United States. He held that there was "no warrant in fact or in law" to justify splitting Alcoa up into four competing companies, and he refused to enjoin the company from any of its activities.

In closing, he pointed out that his burden had been lightened by the ever-present knowledge that the government would appeal. "That," he said, "is a great comfort to me, recognizing as I do, my responsibility, although I think my decision is right."

MAKING "M. OF M." STICK

For the first time since its ill-fated Federal Shipbuilding decision, the National Defense Mediation Board has recommended "maintenance of membership" and this time has made it stick. There is, however, one important modification to the recommendation, which was issued to end a dispute between the Lincoln Mills of Huntsville, Ala., and 1,800 C.I.O. employees. That modification provides that any employee who accepts union membership can withdraw "for legitimate reasons"; at Kearny, union members had to retain their cards regardless.

When NDMB made its recommendation on Aug. 7, Lincoln turned it down. Then OPM's Labor Division got the company named as one ineligible for government business. Last week, Lincoln decided it couldn't buck the boycott and notified NDMB it had signed a contract with the union incorporating the board's suggestion.

Railroads' Test

Lines now confident they can take October peak traffic in their stride. Efficiency increases, but so does need for new cars.

For more than a year, experts have been debating the ability of this nation's railroads to carry the peak traffic of October, 1941, estimated to reach about 960,000 cars in one week. At the ratio of 1.8 active cars needed on line per car loaded, this would amount to 1,728,000 cars required. The railways now have about 1,772,000 active cars on line so they expect to survive their test with a few cars to spare. Loadings amounted to 917,516 cars of revenue freight in the week ended Oct. 4, compared with 805,986 cars in the same 1940 week, and 830,102 in 1939.

Thus far, through efficient routing and loading of cars, there have been few shortages, and those mostly local. Prominently at issue has been the supply of tank cars. Charges by Secretary Ickes that there was a shortage were denied by the Association of American Railroads. Railroad equipment orders have been large but production has been delayed by inability of car-makers to secure performance on delivery of materials, although they had been granted priorities.

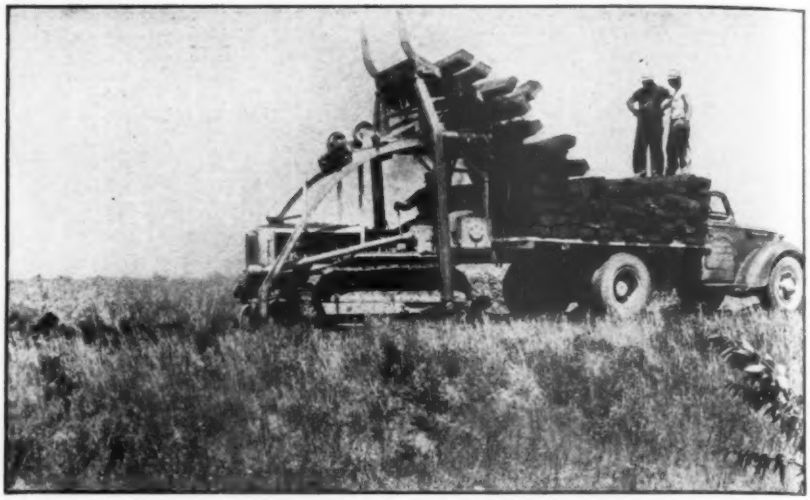
• Nine Months' Orders—Some 108,963 freight cars, 1,013 locomotives (686 diesel-electric), and 621 passenger cars were ordered during the first nine months of 1941 (see table). This compares with 38,665 freight cars, 501 locomotives, and 217 passenger cars in the similar 1940 period. Railroad equipment manufacturers (not including railroad-owned shops) had 65,230 freight cars on order at the end of last month, compared with 20,746 cars a year ago. Inquiries for near-by future orders include 250 locomotives wanted by the U. S. War Department, 25 locomotives for the Yunnan-Burma Railway in China, and 2,860 freight cars for the Egyptian State Railways.

Further adding to the difficulties of railroads in securing this equipment is the lure of government defense orders which have been flooding railroad equipment plants. Production of tanks, gun mounts, cannon, and shell casings are competing with railroad equipment orders for plant space, materials, and labor. It is for the government, by regulating procurement of materials, especially steel plate, to determine how soon these orders will be converted into the finished products.

• OPM's Estimate—The Office of Production Management estimates that "370,000 more freight cars will be needed to meet peak requirements in the fall of 1942." Ralph Budd, defense transportation commissioner, has been studying pooling of orders, standardization of specifications, and possible use of Reconstruction Finance Corp. funds to provide a "bank."

Meanwhile, freight-car efficiency has been heightened not only by improved construction of the equipment but also by fuller loadings, prompter unloading, and wiser routing. Every freight car owned by the railroads has produced about three-fifths more transportation than in 1918 and one-third more than in 1929, the year of heaviest traffic, according to M. J. Gormley, executive assistant of the A.A.R. Since the World War, there has been a 60% increase in average train speed and a 17% increase in capacity per car.

But new equipment must continue to be produced, and a way must be found to increase this rate of production. As the new priorities ratings for rolling stock take hold, particularly now that all priority orders have been made mandatory on the suppliers, there are hopes that deliveries will be accelerated.



TRACK-LIFTER

V. H. Carroll of Winthrop, Iowa, hooked up this rig as a fast, cheap way to remove and salvage ties from 60 miles of abandoned railroad. The forward unit consists of a standard Athey Mobiloader with a two-prong wedge-shaped fork substituted for the standard earth-moving bucket. The loader is mounted on a Caterpillar Diesel D4 tractor, which also pulls along the platform truck until it has a load. The loader picks up six to ten ties at a clip, rolls them into place on the truck at the rate of 30 ties a minute. At this speed, it removes and loads ties from a mile of track a day.

RAILROADS CATCH THEIR BREATH

After ordering new freight cars at the fastest pace ever recorded, railroads are slowing down on new purchases, while making inquiries preparatory to early re-entry into the market. An order by the Missouri Pacific Railroad Co. for 2,850 freight cars accounted for most of last month's total orders of 3,465 cars. The following table of monthly domestic orders of freight cars, as reported by Railway Age, reveals the comparative intensity of last summer's orders:

	1939	1940	1941
January	12	479	14,118
February	2,220	2,748	5,645
March	557	1,851	7,685
April	2,890	2,456	16,091
May	1,528	1,734	19,221
June	1,405	6,953	29,299
July	885	7,701	10,789
August	1,535	5,111	2,650
September	17,517	9,632	3,465
October	17,698	12,159	......
November	5,542	6,410	......
December	2,652	7,637	......
Total	54,441	64,871	108,963

Air Travel Cards?

There are no passenger priorities, and airlines, eager to avoid them, use new method to appease defense big shots.

Airline ticket sellers have been surprised lately by passengers who flashed "official" travel priority cards. Be it said on their behalf that they have paid precisely no attention to them. Both OPM and the Civilian Aeronautics Board insist that there is no official

card, that if such cards are in circulation it's a racket.

The airlines say, though, that they have been called upon by the Army, Navy, and defense officials to put General X or Mr. Z on such-and-such plane. The lines took this as a command. They started by picking some man with a receding chin and putting him off. Usually, it was the wrong man or at least a man who was very, very noisy, chin or no chin. The airlines didn't relish such discrimination. They like to build up, not tear down their goodwill. At the same time they certainly want to forestall the invoking of priorities on air travel.

• Smoother Technique—So now a much smoother technique of accommodating official big shots is applied on Washington connections and other hot lines. The tip on this doesn't come from the airlines direct but CAB suspects that the lines now are holding two or three seats without reservations till close to plane time. If no big shots show up, the fictitious "no show" seats are given to standbys who have previously been informed that the plane was booked up but that their chances would be good if they come to the port.

The Air Transport Association's "no show" advertising campaign (BW—Oct. 4'41,p29) has had remarkably pleasant results. Aimed partly at least to impress the powers that be that service demands are such that no more planes should be taken off their lines for the military or the British, the advertising is producing a favorable reaction from passengers who seem to be getting self-conscious about being called such a dirty word as "no show."

• Over-Anxiety—They now go to all sorts of trouble to let the ticket office know if they are prevented from making the trip. As a matter of fact, congestion of the airlines has been due mostly to over-anxiety. A man has a vague notion that he may want to go to Washington next week. He has heard about tight space, so he makes a reservation. Whether he goes or not, he and hundreds of others are keeping the lines "booked solid."

If the airlines get the 228 new planes SPAB has assigned them (BW—Oct.11 '41,p7) in a fairly steady stream, there should be plenty of space; if not, some form of priority on air travel for defense business is practically certain.

Shipments of pheasants and ducks from South Dakota points are boosting Railway Express Agency's air traffic this month. Dressed and frozen birds (in cartons) are not so common as bunches of five (one day's limit) with full plumage. Mid-Continent Airlines, which taps the best pheasant counties in South Dakota, is offering an all-expense hunting trip for the first time this year. From Tulsa, southern terminus, Mid-Continent will carry a party of ten to Watertown, S. D., and return, furnish licenses, guides, hotel accommodations for five days—everything but liquor and ammunition—for $125 per hunter.

Hunting Industry

Pheasant season means big business to South Dakota, where non-residents will spend about $500,000 this year.

South Dakota has a new major industry—pheasant hunting. Hunters visiting the state for the season now open will leave in excess of a half-million dollars in the eastern third of the state, where the population is less than 500,000.

Completely disregarding the preface to an ancient recipe for cooking game, "First catch your game—", the chamber of commerce of Watertown, S. D., early last month invited 500 out-of-state hunters to its annual pheasant dinner and stag party on Oct. 2, the day after the season opened. Admission was by card only—a non-resident hunting license.

Exactly 350 pheasants were bagged for the dinner by 70 members of the chamber's "procurement" committee within four hours of the opening of the season at noon, Oct. 1. Each man got his daily limit—5 birds; no alibis.

• On the Increase—During the season last year, 6,300 non-resident licenses were sold (at $15 each), more than 10% of the total being issued to hunters making their headquarters in Watertown. To date, inquiries received by the state fish and game commission, hotels, and guides indicate that 20% more out-of-state hunters will visit South Dakota before Nov. 19, when the long season (in 25 counties) closes, than last year. This increase, which will mean approximately 7,500 non-resident hunters, is indicated despite a hike in the non-resident license fee to $20. The additional $5 is going to be used for purchasing public shooting grounds for waterfowl.

Reason for the surprising increase in South Dakota's non-resident licenses (this year's total will be nearly three times the 1939 figure) is primarily the abundance of pheasants, Hungarian partridges, and waterfowl. And the reasons why sportsmen from New York, Florida, California, and in-between points are passing up other states that are well-stocked with upland game are South Dakota's liberal bag limits and extended seasons. The state is simply outbidding all the others by offering a season bag of 25 pheasants or partridges, plus 25 migratory waterfowl. Thus, a total of fifty birds may be killed and transported out of the state. Most other states that have open seasons on pheasant have season limits of from six to ten birds.

• Plenty of Birds—In liberalizing the bag limits, the state game commission first of all has kept an eye on its unbelievable pheasant population, variously estimated from 10,000,000 to 50,000,000. At any rate, it has withstood heavy shooting, for 1,000,000 to 2,000,000 birds have been killed each year during the past decade.

In return for the $150,000 they will spend for licenses and the $300,000 they will spend for hotels, food, liquor, ammunition, cold storage, and shipping, non-resident hunters will take home approximately 175,000 pheasants, convinced that they got the best of the bargain. Hotel men in Mitchell, Huron, Watertown, and other communities where hunters gather, estimate that non-resident nimrods spend close to $15 a day while in South Dakota. A party of eight hunters from Kansas City figured that their forty pheasants cost them $4 each, and were worth it.

• Keeps Food Lockers Full—Development during recent years of locker-storage plants with sharp-freezing equipment has done much to increase interest in game hunting of all kinds. Formerly, many parties of hunters who drove long distances to reach good hunting grounds returned home with nothing but stories of bag limits, for the game spoiled en-route.

Railway Express agents at many points in the pheasant country are offering refrigerated shipping service (made possible by specially constructed dry ice racks) at points of origin for the first time this year. Formerly, this service was not available until shipments reached the nearest terminal.

Defense Business Checklist

• **Aluminum Survey**—At the request of Priorities Director Nelson, inspectors of the Labor Department's Wage and Hour Division have begun a nationwide, plant-by-plant survey of hundreds of aluminum foundries to check on compliance with priorities orders and regulations. Preparations for the survey have been under way for several weeks. Brig. Gen. Philip B. Fleming, Administrator of the Wage and Hour Division, in collaboration with his regional directors and OPM officials, has developed a uniform inspection technique. Special forms have been prepared on which reports will be made. Work of the Wage and Hour inspectors for the Priorities Division will be confined to the assembly of factual data. Information in the hands of the Priorities Division indicates that a number of violations have occurred. Enforcement activities based on the survey will be handled by the compliance officers of the Priorities Division.

• **Copper Scrap**—Extensive revision of the copper scrap schedule so as to place ceiling prices on a shipping point, instead of a delivered basis, allowing quantity differentials to dealers, and establishing premiums for "briquetting" and other special services, has been announced by OPA. Effective date of the amendment is Oct. 17. As amended, the schedule establishes a single list of ceiling prices at 10¢ a lb. for No. 1 copper wire and heavy copper, 9¢ a lb. for No. 2 copper wire and mixed heavy copper, and 8¢ a lb. for light copper at the point of shipment and permits the addition of transportation costs.

• **Tank Ratings**—Two preference rating orders extending priority assistance to certain prime manufacturers of component parts, armament, and accessories for medium and light-weight tanks have been issued by OPM's Priorities Division. Preference Rating Order P-26-e complements orders P-26-a, b, c, and d. It assigns the same rating—A-1-d—to delivery of materials for the manufacture of medium tanks, their accessories and spare parts; for 37 mm. and 75 mm. guns and mounts for installation in medium tanks; and for gasoline and diesel engines, and engine accessories for the tanks. This order was issued to 26 prime contractors who did not receive the benefit of the earlier blanket rating orders. The second order, P-25-e, extends the priority rating of A-1-f to producers of light tanks. The rating covers the same items as are covered in the medium tank order, with the exception of the armament, which in the case of light tanks consists of 30 cal. and 37 mm. guns.

• **Health Supplies**—Twelve additions have been made to the list of health supplies whose manufacturers can get an A-10 preference rating. The items: acoustical aids; atomizers (for medical use); hospital carts, racks, and charts; infant incubators; invalid chairs, walkers, and crutches; opthalmic products and instruments; physical therapy equipment (limited to medical use only); respirators, resuscitators, and iron lungs; sick room furniture, equipment, and supplies; splints and fracture equipment; surgical and orthopaedic equipment (including artificial limbs and arms); sutures and suture needles. Also included in the new list, as extensions of the original classifications, are sterile ampules, intravenous solutions, diagnostic supplies, operating room supplies, and blanket and solution warmers.

• **Priorities Unemployment**—A new system of reporting to check quickly on all serious cases of priorities unemployment, has been set up by OPM's Labor Division and the United States Employment Service. The 1,500 public employment offices of the Federal-State Employment Service have been directed to make immediate reports of layoffs or shortening of average weekly hours of work because of shortages or because of government curtailment orders. A separate report will be made for each affected plant. Copies of a new report form, "ES-223," have been sent to all the local employment offices. Where reports indicate the possibility of serious unemployment in the community, more detailed surveys will be made as the basis of possible special preference in the awarding of defense work.

• **Wood Pulp**—Price Administrator Henderson has warned that advances varying from $4 to $11.50 a ton in wood pulp contract prices quoted by several leading producers for fourth quarter delivery may compel the imposition of a schedule of ceiling prices at or below third quarter levels. An industry-wide investigation of pulp producing costs is being conducted by the Federal Tariff Commission at the request of OPA.

• **Rehabilitation**—Rehabilitation of a Chester (Pa.) blast furnace, out of operation for 12 years, has been recommended by OPM and is now up to the RFC. The Pittsburgh Coke & Iron Co. proposes to operate the furnace under a lease agreement. It is estimated that the furnace will produce 120,000 to 144,000 tons of pig iron yearly.

• **P. S.**—A comprehensive investigation of the Mid-Continent crude oil situation has been begun by OPA as a result of suggestions from several leading producers that a general price increase is desirable. . . . Field offices of OPM's Contract Distribution Division have been opened in five additional cities. The offices and their addresses: Albany, N. Y.—75 State St.; Portland, Me.—433 Congress St.; Rochester, N. Y.—Chamber of Commerce Bldg., 55 St. Paul St.; Spokane, Wash.—629-630 Old National Bank Bldg.; Springfield, Mass.—95 State.

G.M. Loses Suit

Finance company relations of automotive Big Three are now through antitrust mill, except issue of G.M.A.C. ownership.

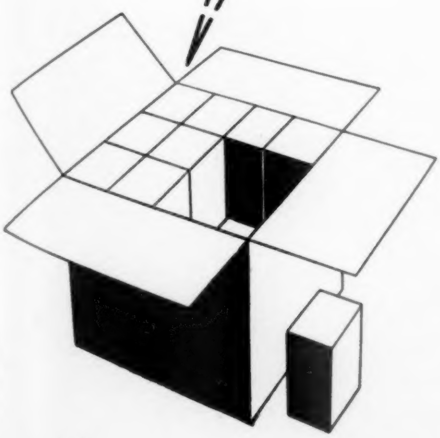
When the newly-convened Supreme Court this week refused to review the decision of the U. S. Circuit Court of Appeals in Chicago that General Motors Corp. and three subsidiaries had violated the antitrust laws in the use of their auto-financing machinery (BW—Jan.25'41,p17), it marked the approaching end of a long-drawn-out suit.

In 1937, the Department of Justice charged G.M., Ford, Chrysler, and their associated finance companies (General Motors Acceptance Corp., Universal Credit Corp., Commercial Credit Corp.) with creating a monopoly by "coercing" their respective dealers into discriminating against independent sales finance companies (BW—Oct.7'37,p16). Ford and Chrysler signed consent decrees. G.M. elected to fight it out in court.

• **Decrees Now Permanent**—The decrees signed by Ford and Chrysler were framed not to become permanently effective (though they have been adhered to for the past three years) until General Motors was brought in line, either by signing a similar consent decree or by an adverse court decision. The Supreme Court's refusal to grant G.M. an appeal from the Circuit Court verdict, automatically makes the Ford and Chrysler decrees permanently binding.

However, there is a hitch. While Ford and Chrysler do not own the companies with which they had sales financing agreements—U.C.C. and C.C.C.—G.M.A.C. is a wholly-owned subsidiary of General Motors. One provision of the consent decrees signed by Ford and Chrysler bars them from ever owning a sales finance company. Holding that, until G.M. divests itself of G.M.A.C., its finance company relations cannot be on a par with those of the other manufacturers, the Anti-trust Division has instituted a separate civil suit to force G.M. to dispose of G.M.A.C. This has not yet reached the courts.

• **What the Suit Means**—If G.M. wins the civil antitrust suit, Ford and Chrysler will be within their rights in setting aside that part of the consent decrees which prohibits them from owning finance companies. Opinion in the industry is that it would now be possible for G.M. to enter into a consent decree identical to those of Ford and Chrysler with the sole exception of the provision barring finance-company ownership. Whatever happens, the automobile industry is now more concerned with priorities and instalment credit curbs than with consent decrees.



Turnpike Birthday

Pennsylvania's super-road through Alleghenies ends first year with surplus of $545,000. Extension plans pushed.

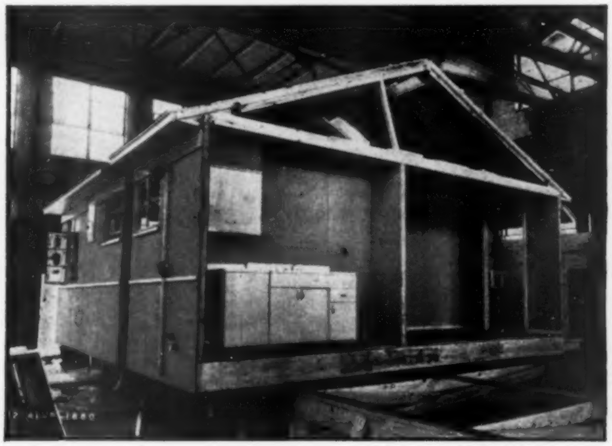
Pennsylvania's dream turnpike (BW–Oct.12'40,p16)–extending 163 miles from Harrisburg to Pittsburgh through the hazardous Alleghenies–has turned out to be a sweet dream, not a nightmare, after all. Preliminary estimates on the superhighway's first birthday showed that more than 2,500,000 drivers paid tolls amounting to almost $3,000,000, enough to provide a comfortable surplus after paying off bond interest and maintenance charges.

Last spring, traffic began to dwindle on the four-lane, divided road–so much so that the Turnpike Commission sliced truck rates to attract business (BW–Mar.1'41,p31). Rates previously had run from $1.50 (one-way) for trucks under 7,000 lb. to $10 for trucks and full trailers; present cut rates take the form of a 10% discount to truckers whose monthly bills come to $1,000 and 20% to those whose monthly bills exceed $2,000. To firms willing to post a $5,000 bond, the commission issues requisition books of tickets, and bills, less a discount for payment within 15 days, are sent at the end of each month.

• **The Record**–The present setup is already being considered proof of the theory that super-roads can hold up their end by toll payments. Under the trust indenture by which the $70,000,000 highway was partially financed, bond interest for the first year amounted to $1,530,000. Maintenance costs came to about $925,000. That leaves the Turnpike Commission with a nest egg of about $545,000. The year's traffic included 2,235,000 passenger cars, 250,000 trucks, and about 20,000 buses.

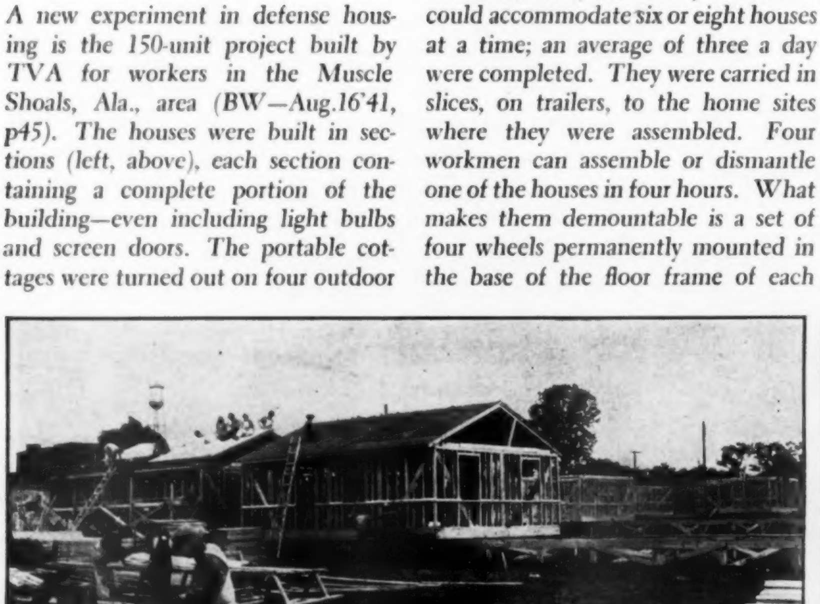
As a result of this record, fires are being built under legislature-approved plans to extend the highway at both ends to the state borders.

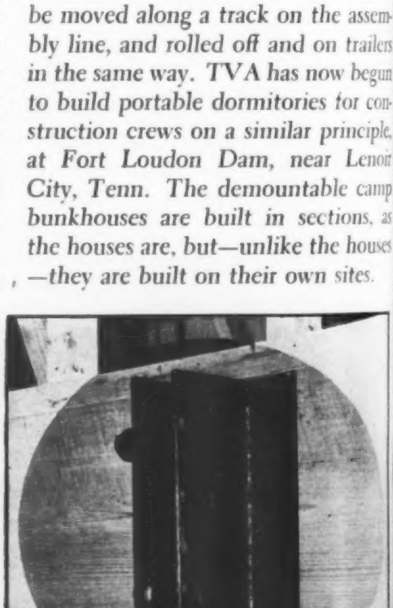
Another party well pleased with the roadway's first-year record is the Standard Oil Co. of Pennsylvania, sole concessionaire on the pike. The oil men remain mum on returns from gasoline



TVA HOUSES

A new experiment in defense housing is the 150-unit project built by TVA for workers in the Muscle Shoals, Ala., area (BW–Aug.16'41, p45). The houses were built in sections (left, above), each section containing a complete portion of the building–even including light bulbs and screen doors. The portable cottages were turned out on four outdoor assembly lines at a TVA plant near Sheffield, Ala. (left, below). Each line could accommodate six or eight houses at a time; an average of three a day were completed. They were carried in slices, on trailers, to the home sites where they were assembled. Four workmen can assemble or dismantle one of the houses in four hours. What makes them demountable is a set of four wheels permanently mounted in the base of the floor frame of each section (right, below)–one wheel near each corner–so that the sections can be moved along a track on the assembly line, and rolled off and on trailers in the same way. TVA has now begun to build portable dormitories for construction crews on a similar principle, at Fort Loudon Dam, near Lenoir City, Tenn. The demountable camp bunkhouses are built in sections, as the houses are, but–unlike the houses–they are built on their own sites.





and oil sales, but allow they've had "successful year," despite the 2¢ turn over to the commission for every gall of gas sold. Their cost for ten mode service stations came to $500,000.

• **Sunny Future**—Looking at the futu turnpike engineers see nothing but su shine. They maintain that 40% of th road's traffic was brought into Pennsy vania simply because the road was the —and because drivers could make th trip through the Alleghenies easily an fast. (No grades exceed 3%, no curv are sharper than six degrees.) They pr dict that traffic will be up 20% ne year and that revenues will total $ 204,000.

Under the present scheme of oper tion, gasoline and food prices are stan ard at all stations and restaurants on th highway. Despite the curfew in easter states, service stations are open all nigh for business, but night purchasers ar sold only enough fuel to get them o the highway.

Running in conjunction with each o the nine stations is a lunch and dai bar, while at South Midway—the ma station and supply center—is a res taurant for 200 diners. All are run b Russell Keppel, lessee under Standard who has a tie-in with the Howard John son organization (BW—Feb.17'40,p26

• **Speed Crackdown**—Last spring, be cause of a mounting accident toll, Penn sylvania clamped a 70-m.p.h. spee limit on passenger cars using the pike Up to that time, the sky was the limi on the smooth ribbons. Despite th new limit, accident deaths, up to Sept 30, totaled 29, a far greater averag than other state highways. Expert claim 70 m.p.h. is too high for th average motorist's eyesight and muscu lar reflexes. A Westmoreland Count coroner's jury, investigating three death during the last week of September placed responsibility on speeding, reck less driving, and the Turnpike Com missioners' failure to provide an ade quate police force to enforce spee limits. Last June, economywise bond holders cut the police force from 50 t 29. Another frequent cause of acci dents is worn-out tires.

Truck and bus speed limits are se between 30 and 50 m.p.h.—speeds tha enable Pennsylvania Greyhound buses for example, to hold to a five-hour sched ule from Harrisburg to Pittsburgh. Run ning time for crack Pennsylvania train between the two cities is five hours an 20 minutes.

To check up on speeders, a $300,00 two-way, ultra-high-frequency radio sys tem has been installed and each motor ist going the entire stretch must pas 24 radio-equipped spotters and also take his chances with radio-equipped patrol cars. Sets are also installed in the road's seven tunnels, on fire trucks, and in official and maintenance cars. With the aid of this system, a close check is kept

on weather conditions and warnings are flashed when smash-ups block the lanes.

• Tested by Army—Military convoy tests have been made on the highway, and suggestions that the road could be utilized as a vast plane landing field have been tested—by accident. All told, 30 planes have landed on the turnpike because of bad weather. Some came down without warning patrol cars, while others signaled and got a clear road.

The only real complaints of drivers using the road concern "turnpike foot," a cramped sensation of the right pedal extremity from holding the accelerator down too long, and the tendency to nod at the wheel, a factor in many accidents.

Dairy Upset

Lease-lend demands spur record production and returns but throw normal price ratios badly out of balance.

The Department of Agriculture last week backed up its pleas for increased milk production by buying 3,000,000 lb. of cheese on the Wisconsin Cheese Exchange at Plymouth; also, 23,185,500 lb. of canned milk, and 1,245,000 lb. of dried milk. All were at record post-depression prices.

Thus far this year, the government has bought about 80,000,000 lb. of cheese for lease-lend, almost all of it since the first of April. Normally, this might represent something like 20% to 25% of total output, but this is no normal year for cheese. Production is up spectacularly—475,000,000 lb. for the first eight months of 1941 against an average of 318,000,000 lb. for that period. Secretary Wickard expects that, during 1941, shipments of manufactured dairy products abroad, most of these lease-lend, will be equivalent to 2,278,-000,000 lb. of milk. (A gallon weighs 8.6 lb.) For 1942, the figure is expected to be almost double—5,420,000,000 lb.

• Production Record—Total U. S. milk production in 1940 was 111,000,000,000 lb., an all-time high, but 1941 production is running more than 5% above last year. In the remaining weeks of 1941, the country faces a higher tonnage of exports during the season of declining production. To cash in on fancy prices for milk to be converted into the various dairy products that the Administration clamors for, farmers are feeding their cows everything short of Pablum to stimulate the flow of milk. Nobody knows how much feed a cow can take, but apparently we are on our way to finding the answer—at least as long as feed-cost ratios favor shoveling feed into dairy stock.

• Butter Prices Advance—The general upswing of prices for dairy products has

carried butter upward, from a 1941 low of 29¼¢ to a high of 37¢ for best (92-score) grade at Chicago. When prices thus rose, eastern buyers found they could import Argentine butter at 21½¢ to 22¢ per lb. c.i.f. New York, pay 14¢ duty, and undersell New York state butter of identical grade. Thus far this year, 1,870,320 lb. of Argentine butter have climbed the tariff wall, most of it during the past three months.

Despite this apparent prosperity, pricewise, butter is the orphan child of the lease-lend program—and lease-lend dominates today's markets for dairy products. As a source of fats to feed Britain, lard is cheaper and less perishable. So, federal authorities are not urging butter production. As a matter of fact, high government prices for cheese and exportable milk have forced a good many small creameries in the Middle West to close down for lack of a butter price that would let them keep going. Those with equipment sufficiently adaptable have started condensing milk or making cheese. Scores of others, to hold their farmer patrons, accept milk at prices higher than butter will support, and then truck the cans to the nearest condensary or cheese factory for resale.

• **Too Much Butter**—Despite the lack of lease-lend demand, production rose this year—from 1,296,714,000 lb. of creamery butter in the first eight months of 1940 to 1,378,530,000 lb. in the same period of 1941. Output is still running ahead of 1940, and commercial reserves in storage on October 1, 1941, were estimated at 200,000,000 lb., the all-time high. At this season, storage stocks should shrink as milk supplies dry up. Actually, so great is the volume of new butter that the weekly decline in storage stocks is averaging only around 1%.

U. S. per capita consumption of butter averages 17 lb. to 18 lb. a year, is invariably stimulated by rising incomes. Hence, industry statisticians normally expect a close correlation between the butter price and the payroll index. But this is now all out of whack, and the figure sharks agree that all signs fail in lease-lend weather.

• **Thrown Out of Kilter**—The special requirements of the British aid program have upset traditional price balances in the dairy industry. Ever since way-back-when, best butter sold on the Chicago Mercantile Exchange at 2.2 times the price of cheese at Plymouth. A similar relationship, not so easy to express in figures, existed between evaporated milk and butter and cheese. Starting at the top, the order of prices was evaporated milk, butter, cheese. If any one of the three prices shifted from where it traditionally belonged in relation to the others, raw milk supplies were attracted to the higher-priced product, and this diversion of raw material promptly realigned the prices as usual.

Lease-lend turned this relationship topsy-turvy. As of October 10, best butter at Chicago brought 34½¢ a lb., in a market so soggy that small offerings repeatedly broke prices. Instead of selling at 15½¢ to 15¾¢, according to the old 2.2 standard, cheese at Plymouth brought 23¼¢. That meant butter was 1½ times cheese, without figuring in extras which are tacked on the cheese price. This base price of cheese is the highest in 13 years, and the market stood firm all week. Evaporated milk was similarly out of line with both cheese and butter.

• **Milk Advances at Retail**—This distortion of the normal price structure has upset any number of stabilized situations in dairy products marketing. For instance, under the D. of A. marketing agreement for the Chicago fluid milkshed, the price paid by city dairies to farmers has always geared to a composite butter-cheese-condensary index. This worked to the farmers' satisfaction until lease-lend buying threw ratios out of adjustment. Then, farmers who held the coveted certification of the Chicago Board of Health to supply fresh milk discovered they got better prices for the surplus they had to sell at the condensaries. So they sold more and more to the condensaries, curtailed deliveries to Chicago milkmen.

To keep an adequate supply of fluid milk flowing into the city, the marketing agreement was revised last month. Now it ties the fluid milk price to the condensary price. Once more city supplies began flowing normally—but the price of a quart on the back porch rose 1½¢ in a single jump. This week, farmers in the New York City milkshed are starting an agitation to cut their selling prices loose from butter prices and tie their prices for Class 1 and Class 2a fluid milk to Middle Western condensary prices.

• **Attracting Imports**—The current butter situation in many respects resembles the cotton situation of a few years ago. The government has forced domestic prices to high levels, and these prices have attracted foreign producers. Resultant imports, relatively small in tonnage but important because they increase an existing surplus which seems potentially unconsumable, so panicked the trade last week that Chicago prices nose-dived in the face of an announcement that lease-lend purchases of dairy products in the past six months totaled $57,500,000, and in the next six months are to total $192,000,000.

Then, in order to prevent ruin of the producers, the government-backed Dairy Products Marketing Association had to bolster the price by hurriedly buying 200,000 lb. of low-grade (89-score) butter. Cash butter of medium to top grades broke as much as 1¢ to 2¢ per lb. Futures broke as much as $241 a contract (19,200 lb.) in the last two days of the trading week, reaching six-months lows.

He fools his thermostat and saves for defense

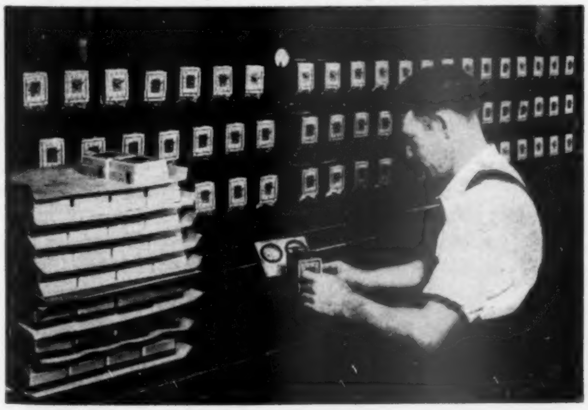
Here's the "fooler". . a tiny heating element! Inserted in the Penn thermostat, it automatically reduces the room temperature during sleeping hours—and thus saves *dollars* for householders, and *fuel* for defense!

Penn Day-Nite Control, for all types of heating systems, is simple, automatic and effective. You select the hours during which room temperature is to be lowered—set the control once—then forget it all winter long. If you wish to change the hours, it's as easy as setting an alarm clock!

The tiny heating element in the Penn thermostat is the exclusive feature which distinguishes Penn Day-Nite Control. The thermostat setting is not changed—instead the little resistance coil supplies "artificial" electric heat to the thermostat during the period when room temperature is to be reduced. When temperature is automatically restored to daytime level, the thermostat itself needs no "warming up." Thus, it eliminates costly and uncomfortable morning overruns.

This exclusive system is just one more evidence of the resourcefulness of Penn engineers in meeting control problems of the heating, refrigeration, air conditioning, pump and air compressor industries. *Penn Electric Switch Co., Goshen, Indiana.*

Electric Day-Nite clocks, like other Penn controls, must undergo 100% inspection after they are completed as well as during all stages of manufacture.



PENN AUTOMATIC CONTROLS

Have You a Control Problem?

During these times, as you plan for a future greater service to the American public . . . as you plan to provide continued employment for your workers—you can get help in the solution of your new control problems from Penn engineers, without obligation. Write Penn today.

FCC Hits Chains

Revised rules ease "death sentence" on networks a little, but they still ban exclusive contracts. NBC, CBS will appeal.

Again using the weekend to spring drastic new radio regulations, the Federal Communications Commission last Saturday announced that the network "anti-monopoly" rules (originally issued the first weekend in May) are going into effect on Nov. 15 with some minor changes in content, but very few changes in toughness (BW—Jul.5'41,p31). That leaves the National Broadcasting Co. and the Columbia Broadcasting System only one alternative—a court fight. The Mutual Broadcasting System (as before) says it's satisfied with the new program.

Chief complaint about the original regulations (and the reason they were held in abeyance so long that they are now superseded by the new order) was that they (1) limited contracts between networks and their affiliated stations to one year; (2) virtually commanded NBC to sell one of its two networks; and (3) broke up exclusive network contracts and unlimited option time.

• **Exclusive Contracts Hit**—As now amended, the regulations allow NBC to keep both red and blue webs indefinitely. Network contracts may run as long as two years, and station licenses, heretofore subject to renewal annually, will also run two years. On the other hand, the exclusive contract by which a station is compelled to sell time to only one network is seriously undermined—and that's where the rub comes.

FCC proposes that a station shouldn't option more than three out of every five hours to the network with which it is affiliated, the remaining two hours being available for local broadcasts. But if the parent network can't fill the entire three hours, the station should be free to sell the time to a competing network. Thus, the parent chain couldn't use any contractual club to keep its affiliate from aligning itself with a competitor.

It is this arrangement which seems likely to send NBC and CBS to court (despite FCC Chairman James L. Fly's belief that they will avoid litigation). Additionally, unless the rules are again altered or held in abeyance, there'll also be a new move on Capitol Hill to clip FCC's wings.

TIE-UP

The collapse of a railroad bridge over one of the navigation canals at Sault Ste. Marie, Mich., last week, which temporarily shut off a major artery for the movement of grain and ore from Lake Superior ports, spurred action on a proposal to ship Minnesota ore down the Mississippi on barges to steel mills in the Ohio basin. A conference was held in Cincinnati this week to discuss the need of more than one outlet for the nation's ore. Though boats were held up for only two days before a bridge arm was lifted to open the navigation channel in the Soo canal, nothing can be done to restore rail traffic over the bridge until after navigation closes late in November, when a temporary trestle can be built.

Heavy Tank Armor

Début of Baldwin's first 60-ton model dramatizes fast job of York Safe & Lock in building plant for plate.

Last week, America's first heavy tank, a 60-ton steel monster designated as the M-3 model, lumbered out of the Baldwin Locomotive Co. plant at Eddystone, Pa. Light tanks and medium tanks have been rolling off production lines at several different plants for some months, but the heavy M-3's, produced by Baldwin alone, have been held up by a variety of factors—the complication of design, the difficulty of handling so gigantic a job, and the shortage of heavy armor plate (BW—Sep.27'41,p35).

Mass production of these giants is still a long way off. In the meantime, however, it no longer will be the armor shortage that's holding things up. The story of how that problem was solved is the story of another record-breaking plant construction job. It's also the story of why York, Pa., home of the now-famous cooperative production pool (BW—Sep.6'41,p17) rates another star on the defense map. For the shortage was broken by the fast work of one of the York plan's principal backers—the York Safe & Lock Co.

• **Putting on Speed**—According to S. Forry Laucks, president of the company, it took just 61 days to build an entirely new plant (to be used to plane, drill, and finish rough plate being turned out by Henry Disston & Sons, Inc., of Philadelphia) and get it into production. Now, it is going full-blast, finishing every pound of armor plate being used by Baldwin for the heavy tanks.

Structural steel for the $1,000,000, 120 ft. by 600 ft. building started going up on June 18, the day after cows were chased out of the pasture in which the plant was built, but needed equipment was scarce and was getting scarcer. So Laucks drafted 20 mechanics and engineers to act as "expediters" and gave them special instructions not to take "no" for an answer from suppliers. These men were sent in all directions, from New England to the Middle West, to scare up necessary materials and equipment.

They fought tooth and nail to move orders and did. By Aug. 17, the plant was jammed with 80 machine tools, including a 500-ton hydraulic press that handles armor plate like tinfoil, and has turned out finished plate ever since.

• **First of Six**—The building is only the first of six (two more are almost completed) to be used for ordnance work, costing $7,500,000 and being privately financed by York Safe & Lock.

All told, the company holds about

He's planting seed for a new kind of Glass...

ONE day the man in charge of research at Corning called in the man who writes these advertisements.

"I think we're making a mistake in our ads," he said. "In these critical times, we should remind people that glass is a basic raw material and that Corning makes many, many different *glasses* for many different kinds of jobs."

It sounds almost unbelievable, but Corning has developed more than 25,000 glass formulae. Every day chemists pour widely varying raw materials into rough clay crucibles to obtain more types of glass. The results are to the glass-maker what seedlings are to nurserymen. Some are discarded. Some are used. Some are combined to achieve the sought-after formula.

This patient labor has led to such remarkable discoveries as the Pyrex heat resisting glasses. It has produced glasses of a hardness that compares with steel. It has produced crystal as clear as dew.

Today with metals in pressing demand for defense, Corning's research experience is doubly important. It has enabled Corning to adapt glass to many strange but practical uses, to show industry how to get better results from a wider use of this fairly abundant material.

If you think glass may help your production, Corning can give you a quick answer. Corning Glass Works, Corning, New York.

CORNING
means
Research in Glass

$90,000,000 of defense orders. In fact, 95% of the company's business is now production of 18 different ordnance items for the Army and Navy. The company's main plant in the city of York is entirely given over to defense—and not long ago, it bought another factory, a silk mill, to handle its normal safe business.

Battery Trouble

Because OPM cut is based on "wrong half" of year, trade hears every eleventh car may be idle for lack of storage unit.

As autumn deepens into winter, the frost that powders the pumpkin brings comfort and a boost in business to the dealer in automobile storage batteries. Congealed transmission grease and crankcase oil require more juice for starting, cold cuts efficiency of the cells, weakened plates give up the ghost; so the motorist stops in at his garage to price a new battery.

This year such visits may bring some rude shocks. For the trade hears that, unless recent government restrictions on civilian production are relaxed, there are apt to be over 3,000,000 drivers with laid-up cars because of inability to get replacement batteries. Which counts up to one out of every 11 automobiles in the country.

• Limitation Order L-4—Reasons for the threat lie in OPM's Limitation Order L-4, issued on Sept. 18. Purpose of the order was to assure materials to the manufacturers of automotive replacement parts. For most of these manufacturers it had that effect. But for the makers of replacement automotive batteries, who were included in the parts category, the order meant a serious cut in production compared to last year.

L-4 allows the manufacturers to produce, during the last 3½ months of this year, 60% of their sales during the first six months of this year. (It did not apply to parts for new cars, which are limited by the cut of about 50% in automobile production for the model year). Since producers of transmissions, windshield wipers, mirrors and nearly all other items have the bulk of their business in the first half of the year when heavy tourist travel begins, they got a break. In fact, since production for the first six months of 1941 jumped to about 130% of the 1940 level, they will be allowed to produce 25% more in the last six months than they did in the same period a year ago.

• An Exception—But batteries are an exception. Their shipments are made 30% in the first half of the year, 70% in the last half because cold weather brings out battery failures and hence sales. Thus application of the 60% cut based on the first half of 1941 means that replacement battery production will suffer a decrease, compared to 1940, of about 1,909,000 batteries for this year.

Last year's shipments of batteries were 14,342,000. Estimate for this year, as limited by L-4, would be about 12,433,000. But the shortage is likely to approximate 3,000,000 because of several important market factors. There has been a cut in new car production which means greater use of old cars. This in turn means a greater demand for replacement batteries.

• Not Talking, But—The battery industry isn't talking about the situation because it doesn't want to start any panic buying and it wants to play ball on defense. But it is understood that the industry has asked that its 60% cut be figured on the last half of 1940, which would allow production this year of about 15,000,000 units. Manufacturers could be happy with this amount, though it is thought that needs will be nearer 16,000,000.

"If they don't increase the figure, somebody had better go into production on the pre-Kettering crank for starting engines," say the pessimists.

Gravity of the situation to the industry is evident from the enormous extent of the replacement market—a fact often overlooked because of the constant dramatization of new car production. Thus while new car production last year required 4,500,000 batteries, the replacement demand was 14,342,000. Annual expenditures for replacements and repairs on America's 33,000,000 cars is well over a billion dollars, retail.

• Materials Still Available—While the industry was wrestling with restriction problems, real supply shortage had not yet developed. But as a precaution, lead was placed under full priority control on Oct. 4. Plenty of rubber (for hard rubber cases) has been available but there is no certainty that this will last. There are encouraging developments. Cases can be made with as little as 6% virgin rubber, scrap supplying the rest. Composition cases, containing no rubber, already are in use for cheaper batteries. These employ asphalt for acid resistance, clays for hardness, cotton fibers for tensile strength. Sulphuric acid is sufficiently available. Wooden plate separators (fir or cedar) are scarce and higher in cost.

Retail prices are up about 8%, including the new excise tax, over last year. Some manufacturers doubt that

SENSATION

This contraption may impress city folks as just another piece of farm machinery, but to the sugar beet grower, who is hearing so much about threatened labor shortages, it will be something of a sensation. It's a beet combine that does the entire harvesting job—topping, lifting, and loading the beets—and reduces "stoop labor" to a minimum. After several years of joint research by the U.S. Department of Agriculture, the University of California, Colorado College of Agriculture, and Beet Sugar Manufacturers' Association, this "average-sized" beet combine is about ready to be turned over to manufacturers. Combines developed heretofore have been elaborate, costly affairs beyond the reach of the average grower. This one is 20 ft. long, weighs 3,000 lb. It is hauled by, and powered from, a diesel tractor; straddles two rows of beets; is handled by from one to six men—depending on the cloddiness of the soil. If soil is particularly heavy, beets must be shaken by hand to loosen dirt before being loaded on the truck.

advances have covered higher costs. Labor expense is up 10% to 15%, material and other costs are up 8%.

• **For Heavier Duty**—While there are no basic changes in automotive battery construction, these reservoirs of stored power are built for heavier duty because of the greater demand for electricity of the modern car. Excess power is also of service during the hard-starting days of winter.

In the face of curtailment, manufacturers are keeping up their sales activities. Advertisements stress the value of batteries in getting key labor to and from the job.

Out of a probable total of 200 manufacturers in the storage battery field, all but about 20 are exclusively in the automotive battery business and only four or five sell original equipment to car manufacturers. At the top stands Electric Storage Battery Co. with its Exide product and ownership of equally well-known Willard. Among others prominent in the field are Delco (General Motors), Prest-O-Lite Battery (subsidiary of Electric Auto-Lite Co.), Edison, Globe Mfg. Co., National Battery Co.

• **History-Makers**—Globe and National have made recent history in the industry. Globe sells batteries to Sears, Roebuck, National supplies Montgomery Ward, Western Auto, other big buyers. They were largely instrumental over the past years in pulling down prices. One means to this end was building branch plants up to 500,000-a-year capacity near important trade centers, thus avoiding shipping costs on the heavy product.

One old-line company that can sit on the sidelines and smile at the crisis in replacement batteries is Philco Corp. This was an original auto battery producer but this end of the business became the step-child as the company swung farther into the radio field. Four years ago Philco decided to revitalize its battery business, but to ignore the hammer-and-tongs competition in automotive batteries and concentrate exclusively on industrial units. Recently Philco was forced to expand, ended by moving its battery division from Philadelphia to a 150,000 sq. ft. plant at Trenton, N. J., formerly occupied by the Fitzgibbon & Crisp auto-trailer plant (BW—Jul.19'41,p50). Now a poster proclaims that the plant is engaged 74% on defense business and there are no priority problems.

• **Defense Uses**—Of course, plants busy on batteries for planes, tanks, submarines, or other war equipment are getting the material they need. Also necessary are batteries to drive trucks for hauling and handling materials in plants busy with defense orders or for propelling locomotives in mines. The general public does not realize that there are 25,000 to 30,000 industrial trucks. They haul loads up to 15 tons and each battery costs around $1,000.

MARKETING

Pax ASCAP

Final armistice awards the financial victory to radio in big music battle. Individual stations get choice of licensing plans.

The two-year feud between the broadcasting industry and the American Society of Composers, Authors, and Publishers—featured by a musical blackout that began the first of this year—is now drawing to a close. Both sides of the nerve-wracking fight are weary. The radio industry, successfully having risked public opinion by obliterating the works of Berlin, Gershwin, et al., for ten months, doesn't want to push its neck out too far. ASCAP, for its part, is obviously none too happy over the cessation of its radio revenue and disappointed that the public failed to jump all over the broadcasters. So the warriors have framed a peace treaty in which radio is the financial victor and ASCAP wins some concessions, chiefly of a technical and moral tinge.

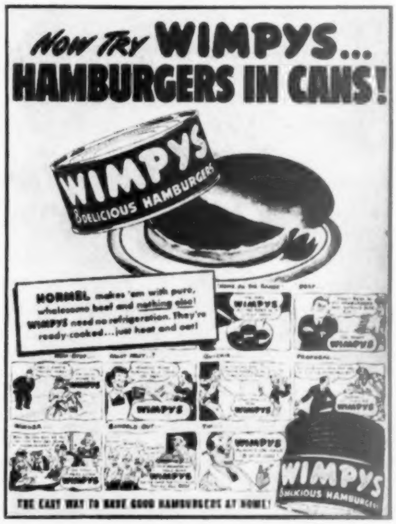
• **How It Started**—Strictly a scrap over money matters, the battle started when ASCAP wanted the networks to pay 7½% of their gross time sales for the use of its music, while individual stations were to lay out from 3% to 5% (depending on size of station). This represented a comedown in fees for individual stations, but boosted prospective network payments by an estimated $3,000,000 to $4,000,000. Figuring they could get still lower terms, the individual stations teamed up with the boiling mad networks and Jan. 1 simply threw all ASCAP music off the air.

Thereafter the radio industry had to rely on the output of Broadcast Music, Inc., a music publishing and licensing setup of its own creation, and on "public domain" (out-of-copyright) numbers. Half-expecting a public reaction along overt lines, the broadcasters got little worse than jokes about Jeanie with the Light Brown Hair. From this standpoint alone, the broadcasters won the fight.

• **Not Forever**—But by and large, there never was any serious thought that the warring factions would forever remain apart. ASCAP has the biggest and best pool of popular music in the whole world (2,000,000 separate compositions, domestic and foreign). And because music is radio's prime raw material for programming, ASCAP is virtually indispensable in the long run.

By May, the Mutual Broadcasting System had decided that nothing was to be gained from further sparring, and signed a contract calling for 3% payments the first three years and 3½% thereafter (BW—May17'41,p14). This, of course, was much less than what ASCAP had originally demanded. So the National Broadcasting Co. and the Columbia Broadcasting System started a financial poker game, the former offering ASCAP 2½%, and the latter cutting the ante down still more to 2% (BW—July5'41,p30). However, this downward spiral proved completely unacceptable to ASCAP, which pretty soon threatened to sue NBC, CBS, and other recalcitrant sectors of the industry for triple damages under the Sherman Act.

• **NBC Raises Bid**—In August, NBC reconsidered, and raised its bid to 2¾% (BW—Aug.9'41,p50). That's the figure



CANNED HAMBURGER

"Wimpys," pre-cooked Hamburger patties, are the latest addition to the canned meat field. Wimpys need not be kept in the refrigerator, and heating is the only preparation necessary. Made by George A. Hormel & Co., Wimpys are now being tested in Minneapolis, St. Paul, and ten surrounding Minnesota towns.

It was Hormel who opened up a volume market for canned pork shoulder as a many-purpose food, when "Spam" was introduced with aggressive advertising. Now there are more than 60 brands with similar snappy names on the market. As a result, U.S. consumption of meat packed in 12-ounce cans rose 66% last year, after a 105% rise in 1939.

destined to remain in the final armistice. In other words, NBC and CBS will pay 2¾% of their gross intake, after deducting time discounts, agency commissions, line charges, and a "sales commission" allowance of 15%. Additionally, they'll pay $200 per year per station as sustaining fees. Mutual Broadcasting System, meantime, will have its higher contract revised downward.

Individual stations (which under prior contracts paid 5%) now have their choice of four licensing plans: (1) a per-program plan for commercial shows only, calling for 8% on each program unless merely "incidental" music is used, in which case the fee is 2%; (2) a blanket commercial contract based on 2¼% of all intake (except network business) less liberal deductions; (3) a per-program sustaining plan; and (4) a blanket sustaining plan. The latter two plans are figured by intricate procedures, but in no event amount to much of a financial drain.

• **Can Refuse Altogether**—Any individual radio station—at will—can buy one or more of the foregoing plans to suit its specific needs. Or it can refuse to take a license altogether. Since the National Assn. of Broadcasters is now forbidden by law to dicker for the entire industry (as happened in the case of prior ASCAP contracts), no compulsion can be exerted on a station to join up. But once a station does sign, the contract remains in force until Jan. 1, 1949, and on Jan. 1, 1950, automatically renews itself for a maximum of nine more years (barring only a fight over more money on the part of ASCAP).

Furthermore, stations affiliated with the major networks are expected to help the networks with their financial burden by kicking back 2¾% of the money they get from the chains. But all told, it's estimated that individual stations will be paying up to 50% less than they paid before—even counting in network kickbacks and the fact that they're still supposed to contribute to the industry-sponsored Broadcast Music, Inc. The networks, on the other hand, have to pay a little more, but not nearly what ASCAP had originally demanded. Here—in very rough estimate—is the way the financial rigmarole shapes up (based on 1940 radio revenue):

Old contract	
Station payments . .	$4,300,000
Network payments .	800,000
	$5,100,000
First proposed contract	
Station payments . .	$4,000,000
Network payments .	4–5,000,000
	$8–9,000,000
Mutually-agreeable contract	
Station payments . .	$2,185,000*
Network payments .	955,000
	$3,140,000

* *Includes kickbacks to the networks.*

Invitation to Cut

New toilet goods tax is opening a hole in fair trade contracts and manufacturers are hurrying to plug it.

Minimum resale price maintenance contracts in the toilet goods industry underwent a flurry of revisions last week. Reason: the new 10% retailer's excise tax on toilet preparations, which harbors plenty of grief for manufacturers whose products are price-fixed under the various state fair trade laws.

Here is the problem: Say the X company had established a minimum retail price of $1.00 a jar on its deluxe face cream, before the tax. If the retailer simply adds on 10% for the tax, the price to the consumer is automatically boosted to $1.10. He might, however, try to cut the price of X's cream to 91¢, add on a 9¢ tax, and claim that he was staying within the letter of his fair trade contract by reselling the cream at the $1.00 minimum.

• **Up Minimums**—It's to prevent possible shenanigans like this that major drug manufacturers are now moving to draw up revised contracts which include the tax. Bristol-Myers led the way last week, upping minimums by the straight amount of the tax on Ingram's Improved Cream, Mum, Mum-for-Men, Toushay Lotion (new hand cream), and Vitalis. For example, the 39¢ size of Vitalis went to 43¢, the 79¢ size to 87¢.

Coty, Inc., and Noxzema Chemical Co. quickly notified the trade that their contracts were undergoing revision. Coty wired all pharmaceutical association secretaries in fair trade states: "We consider it a violation of our fair trade contract if any retailer sells our merchandise at our minimum retail fair trade prices with any taxes included. Therefore, any state, local, and the new federal 10% excise tax must be added to our current minimum fair trade prices. This notice is made part of our fair trade contract agreement in effect in your state."

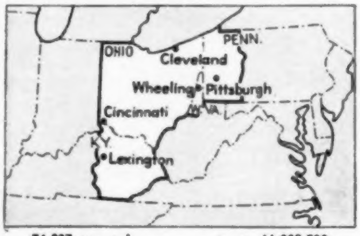
• **Revise Contracts**—A number of manufacturers already provide in their contracts that minimum prices shall be exclusive of taxes. Such contracts have been aimed principally at state and local sales taxes, however, and the trade expects that these will be revised to mention the new federal tax specifically.

There is some surprise that the new tax has not already evoked a flood of price-cutting on the part of those opposition retailers who have adhered to the minimums only because of the clause in state fair trade laws which compels non-signers to comply. The present general confusion and the fact that retailers are forbidden by the tax

The Regional Market Outlook

CLEVELAND (Income Index — 139.8; Month Ago—137.2; Year Ago—115.2)—Under the impetus of defense hiring, over-all employment and payrolls in this Reserve district are likely to rise continuously over the next few months.

However, curtailment in consumer durable goods lines will limit the gains. Layoffs have already been ordered at Toledo (auto parts), Dayton (refrigerators), and other metal-working cities. And, due to the new SPAB restrictions on construction, the important building materials lines—brick, cement, glass, etc.—may also become listed among the "priority" casualties.



74,027 sq. mi. pop. 11,809,528

During the past 18 months, income and sales have gained more than the nation's. In the western half of the district, defense employment has been the chief stimulus, but in the eastern sections, steel and coal wage boosts account for most of the better-than-average increases, especially since steel operations have recently been running about 10% above 1940; coal mining is now up 20%. This area is due for a 50%-or-so share in the OPM's new steel expansion program; thus there will be further increases in payrolls in coming months.

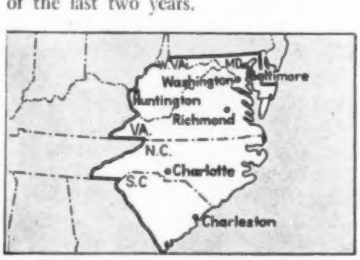
Farm income has been keeping pace with the upsurge in the nation, but conditions are better in Ohio than in Kentucky. Generally, harvests will be larger than a year ago, despite the labor shortage, and prices are much higher.

RICHMOND (Income Index—146.7; Month Ago— 143.9; Year Ago—119.3)—Prospects in this district go from one extreme to the other. West Virginia, for instance, blows hot, medium, and cold. In the Kanawha Valley, retail sales have been booming on defense-stimulated operations in chemical and armor-plate plants. In the coal mining areas, trade has been fair—wage rates have been lifted, but bituminous output is up only slightly over a year ago. Rural areas—with income up only 8% over 1940—have lagged.

South Carolina, too, presents contrasts. The cotton crop has been hard-hit and cotton mill operations have been flattening out. But Charleston, S. C., is a booming city. Population has risen from 120,000 to 170,000 in 18 months. Retail sales are up 25% from last year. Reason: the Navy yard and such other defense activities as a tug-building yard, a new ferro-ally plant, an Army depot, etc.

Most recent armament awards continue to be concentrated in the north—for new defense homes at Baltimore; the new War Department building at Alexandria, Va., and shipways at Hampton Roads, where employment, already nearing 45,000, is expanding at the rate of 1,000 per month (BW—Jul.19'41,p32).

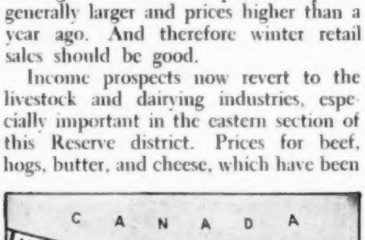
Incidentally, district income payments (and hence sales prospects) are no longer rising at the relatively rapid rate of the last two years.



152,471 sq. mi. pop. 12,330,219

MINNEAPOLIS (Income Index—132.6; Month Ago—131.4; Year Ago—112.9)—Harvesting of spring wheat and other grains is about completed; crops are generally larger and prices higher than a year ago. And therefore winter retail sales should be good.

Income prospects now revert to the livestock and dairying industries, especially important in the eastern section of this Reserve district. Prices for beef, hogs, butter, and cheese, which have been steadily advancing, promise a high level of farm income in central Wisconsin and most parts of Minnesota and South Dakota during coming months. Output of these products has been stepped up, although the pasturage condition has been worse and the oats and barley yield has been smaller than last year. Corn and hay are more plentiful.



412,304 sq. mi. pop. 5,542,966

Rural sales have run above-average in northern North Dakota, southeastern South Dakota, and central Wisconsin so far this year. As a whole, however, retail trade has not been up to the standard established in the armament areas, largely because the defense impetus here has been limited.

Exceptions are the iron-mining areas of northern Minnesota and Michigan. Record ore shipments in August promise a new high of more than 75 million tons for the season. In view of the plan to expand the nation's steel capacity, 1942 shipments will be even higher.

law to advertise in such way as to suggest that drug products are not taxed are credited with keeping would-be price cutters in line.

The 10% retailer's levy on furs and jewelry presents no similar problem, since fair trade contracts are not the rule in these fields. The increase in the manufacturer's excise tax on liquor is resulting in upward-revision of fair trade contracts in that industry, but this is simply a case of passing the load along, since retailers have no hand in collecting the tax.

West Resists

Pacific Coast, now active sector in antitrust campaign, is showing signs of some last-ditch fights against indictments.

Present hot spot in Thurman Arnold's antitrusting is the Pacific Coast, where groups in the food, lumber, beer, electrical contracting, home appliance, and other fields have been indicted. Since last spring, when the grand juries began handing out the true bills, there has been much speculation on whether powerful outfits like the California Canners' League, Dried Fruit Institute, and Evaporated Milk Producers would bow meekly or put up a scrap.

Last week the answer was becoming clearer. The Canners' League (BW–Jul. 26'41,p37), Evaporated Milk Producers, Dried Fruit Institute, San Francisco Electrical Contractors' Association (and unions), the Food & Grocery Bureau of Southern California (retail grocers), the Los Angeles Wholesale Tobacco Dealers' Association, the Washington Brewers Institute, and the Western Washington Wholesale Grocers Association are going through all the motions of contesting the indictments—by filing demurrers to the indictments, challenging their legality, or by filing motions demanding a bill of particulars from the government.

While the lawyers' tactics are of course subject to change without notice, it appears that the federal government's attorneys, headed in the West by Tom C. Clark, are in for considerable opposition.

• **Golden State Laws**—The cases are being watched carefully because some of them, particularly those involving retail grocers and electrical appliance dealers and wholesalers, drag in California's Unfair Practices Act and Fair Trade Act. It has been Thurman Arnold's contention that several of these groups have engaged in price-fixing under the cloak of enforcing the two Golden State laws.

In a few of the actions, defendants already have pleaded nolo contendere

and accepted fines. Others have taken consent decrees or are engaged in negotiations with the government for such decrees. Newspaper reports of the progress of the various cases naturally have been sporadic and somewhat confusing.

Here is the box score to date:

Lumber Products Association, San Francisco, the "mill work case." Charged with conspiring with the carpenters' union to exclude Pacific Northwest lumber from the San Francisco area. Trial set for Nov. 4.

San Francisco Electrical Contractors' Association. Charged with being a monopoly in restraint of trade. On trial calendar to be argued following the mill work case.

Canners League, San Francisco. Charged with price fixing. Court on Sept. 30 overruled defendant's motion to quash indictment. Demurrer to indictment filed Oct. 10.

Evaporated Milk Producers (Pet, Carnation, Golden State, Libby, Armour, Borden's, Nestle's, etc.). Charged with price fixing. Defendants contesting legality of indictment on technical grounds. Court has ordered trial to begin Dec. 3 before special jury to decide factual issues in defendants' contentions and government's denials. Demurrers against the indictments also have been filed as well as motions asking for a bill of particulars.

Dried Fruit Institute. Same status as that of Evaporated Milk Producers.

Monterey Sardine Industries, Inc. On Oct. 6 pleaded nolo contendere to charges of price fixing and were fined $6,000.

California Rice Industry, San Francisco. On Oct. 4 pleaded nolo contendere and was fined $30,000 (largest fine ever collected by the Antitrust Division in the San Francisco area). Interesting sidelight to this case is that one of the association's attorneys, Harry Creech, indicted as a co-conspirator, refused to plead nolo contendere and the court has given him until Oct. 18 to plead.

Food & Grocery Bureau of Southern California (retail grocers). Charged with price fixing. Has filed demurrer to the indictment and entered a motion for a bill of particulars. Motion will be argued Oct. 20.

Wholesale Tobacco Dealers' Association, Los Angeles. Same status as case of Food & Grocery Bureau.

Produce Exchange of Los Angeles. Charged with price fixing. Indictments returned Aug. 5. No action since then.

Los Angeles dealers and wholesalers of electrical and gas appliances. Charged with restraint of trade. Understanding is that a deal is in progress between defendants and government attorneys whereby defendants will take a consent decree.

Seattle Fish Exchange, Inc. Charged with restraint of trade. Defendants pleaded nolo contendere Sept. 19. Fines were to be set Oct. 15.

Western Washington Wholesale Grocers Association, Seattle. Charged with price fixing. Motion filed by defendants for bill of particulars.

Washington Brewers Institute, Seattle. Charged with restraint of trade. Defendant has filed a demurrer to the indictment and a motion for a bill of particulars.

Utah Tomato Canners, Salt Lake City. Indicted Sept. 30 on charges of price fixing.

From Cans to Jars

Many companies shift to glass containers, or at least experiment with them, fearing future shortage of tin.

There's still enough tin to go around, but big users aren't too sure there always will be. Hence, manufacturers who pack their wares in tin containers have been falling all over themselves in the past few months, getting them into glass. Companies that have used glass for years on certain lines or on part of their pack are expanding its use. Some manufacturers are going into glass experimentally, with a part of their pack. Others have switched all the way.

Here's a partial list of companies which have shifted to glass containers (on all or part of their pack) or which have substantially expanded their use of glass recently:

- **Fruits and Vegetables**—California Packing Corp. (Del Monte), U. S. Products, N. Schuckl & Co., Minnesota Valley Can Co. (Niblets, Green Giant), Comstock Canneries, Curtice Bros. Co., Snider Packing Corp.
- **Syrups**—Corn Products Refining Co. (Karo), General Foods Corp. (Log Cabin), Penick & Ford, Ltd., Inc. (Vermont Maid, Brer Rabbit), Union Starch & Refining Co. (Pennant).
- **Coffee**—General Foods (Maxwell House), California Packing Corp. (Del Monte), Albert Ehlers, Inc., Dannemilla Coffee Co., J. A. Folger & Co., Seeman Bros. (White Rose).
- **Smoking Tobacco**—R. J. Reynolds Tobacco Co. (Prince Albert), Liggett & Myers (Velvet).
- **Dog Foods**—Chappel Bros, Inc. (Ken-L-Ration), Doyle Packing Co. (Strongheart), Hunter Packing Co.
- **Baby Foods**—Beech-Nut Packing Co., Harold H. Clapp, Inc.

This list helps explain why glass container production is now breaking all records. For the fourth successive month, the glass container industry turned out a total of over 6,000,000 gross of bottles and jars this August. Shipments in the first eight months of the year totaled 45,570,109 gross, as against 35,313,428 gross in 1940. And last year was a record-breaker with a total 12-month output of 52,293,648 gross.

With all the business they can handle comfortably (during the first eight months of '41, the industry was producing at an average rate of 84.67% of capacity), the glass container people aren't going out of their way to lure manufacturers away from tin. No company is angling for business that's going to be with it only "for the duration."

- **Refuse Orders**—One container manufacturer turned down the order of a major oil company which wanted to put

its motor oil in glass, rather than handle the heavy volume of production entailed on a temporary basis. Officers of Owens-Illinois say that the company is now accepting orders only for products on which glass container costs can meet the competition of other forms of packaging, thus ensuring a sound basis for business after the war.

Along this line, Owens-Illinois' new Duraglas (used for coffees, fruits and vegetables) is 50% lighter than the old product, which the company says brings shipping costs for glass into line with those for tin.

• **Long-Term Trend**—Glass men dislike having their product promoted as a substitute for tin. They argue that glass packaging of foods, particularly, was a growing trend long before a tin shortage loomed, and that present conditions have merely accelerated it. For example, Beechnut has been putting its coffee up in glass for six or seven years.

The present stampede has been responsible for two important developments, however: (1) mass production of containers for the big-volume food packing field, (2) the beginnings of standardization on jar sizes. A #2½ jar (with the same capacity as the #2½ can) was developed for Del Monte and is now being adopted by the industry generally. Industry standards have been developed for peanut butter jars (an old standby), and the 2-lb. preserve jar, worked out for the Army, is now being adopted for use in civilian lines.

Co-op's Grades

National Cooperatives, Inc. which uses government grades wherever possible, will now set its own to fill gaps.

Long-time practitioner of grade labeling is National Cooperatives, Inc., the buying federation which purchases goods to be sold under the Co-Op brand by affiliated cooperative wholesales. Co-Op canned goods have never been packed under continuous government inspection, because the brand owners have feared to limit their choice of suppliers to the few canners who thus qualify (BW-May17'41,p.621).

• **Using All Standards**—But Co-Op brand has held to government standard grading on every item handled for which such an official standard exists. Its grade-label items: applesauce, apricots, asparagus, lima beans, pork and beans, string beans, wax beans, blackberries, carrots, cherries, corn, figs, fruit cocktail, grapefruit, loganberries, peaches, pears, peas, plums, raspberries, sauerkraut, and tomatoes.

Government Grades A, B, and C are prominently shown on these Co-Op

can labels. Co-Op policy is to put red labels on Grade A goods, blue on B, green on C. A few exceptions have a red label on a Grade B item. Most notable is tomatoes, for which government standards are so high that a Grade A is a luxury food for the Park Avenue trade, rather than victuals for the low-income families that are the backbone of co-ops.

• **Rolling Their Own**—The five cooperative wholesales which handle substantial volumes of groceries are at Chicago, Minneapolis, New York, North Kansas City, and Superior, Wis. These outfits last month decided to work with National Cooperatives in pioneering a new frontier in grade labeling. Dauntlessly striding in where federal agencies fear to tread, the co-ops intend to set up their own grade standards for all grocery products in their line for which no government standards exist. Listed for early attention: canned pineapple, dry macaroni products, preserves, soaps, spices, strained vegetables.

The group boasts test laboratories at New York and Superior. Grocery Department Manager Howard S. Baker of National Cooperatives, and the grocery buyers of the five wholesale units, expect lots of research will be needed to get the facts.

• **Numbers, Not Letters**—To avoid conflict with federal A-B-C grades, Co-Op brand's new grades will be designated numerically rather than by letter. Throughout the line, the plan is to have only two grades per commodity: superior and standard. Usually these will be marked 1 and 2 respectively and carry red label and blue label, but where the co-op trade requires less exacting quality, one or both of the items may step down one grade and color. An expected advantage in this policy is that it will forestall any co-op wholesale or retail unit from putting its own red label on merchandise below Grade 1, just because this happens to be the best quality its members will buy.

Soaps, which the co-ops obtain from major manufacturers, afford an example of the quality they seek. Their current formula for red-label granulated soap is: soap 85%; tetrasodium pyrophosphate (water breaker) 12%; alkaline builder, silica base, 3%. The Co-Op second-level granulated soap formula coincides precisely with the analysis of one of the biggest-selling nationally-advertised brands: soap 73%; tetrasodium pyrophosphate 9%; alkaline builder 18%. The co-ops claim that alkaline builder, the cheapest ingredient, is less useful beyond 3%, serves rather to add weight than cleansing power.

The co-ops are shooting for the same mark on macaroni products: Co-Op Grade 1 to be 100% semolina, hard durum wheat, rich ivory color; Grade 2, to be made from the cheaper standard macaroni flour with lower durum content and the typical gray-white color.

TRAINING WITH MOVIES

The labor demands of national defense have put a premium on quick training of personnel—and more and more, industry is finding that talking motion pictures help speed up well-rounded training programs. United States Steel Corp., for example, last week released a seven-reel (feature-length) movie, "The Making and Shaping of Steel," taken at its own plants (above). Moreover, Big Steel reports that every month more than 3,000 men in classrooms, factories, and arsenals study the details of steelmaking through other films that it loans out. Sound pictures are also being used in training programs by such firms as Ford Motor Co., General Motors, Chrysler, International Nickel, Western Electric, General Electric, Westinghouse, Johns-Manville, and Sun Oil. But pictures aren't being used to train only defense workers. They cover a wide range of subjects—even clerking in 5¢-and-10¢ stores. The scene below, for instance, taken from a labor training film issued by the trade publication, Syndicate Store Merchandiser, shows how not to put a customer's purchases in a paper sack. Industrial film producing companies are featuring an even wider assortment of films designed to cover whole classes of workers in a broad segment of industry rather than individual plants. One firm, Film Productions Co., of Minneapolis, has just completed a series of eight such pictures.

LABOR

Wire Tieup?

Communications strike is threatened in tangle involving A.T.&T., the largest independent union, and OPM's labor policy.

The threat of a strike which would "precipitate a tieup of the entire communications system of the United States" was in the government's lap this week. It developed out of one of the most confused labor situations ever thrust on federal conciliators.

Enmeshed in the tangle are: American Telephone and Telegraph and its operating units—the country's largest employer; affiliates of the National Federation of Telephone Workers—the country's largest independent union; A.F.L.'s International Brotherhood of Electrical Workers and A.F.L.'s powerful Building Trades Department; the Labor Division of OPM; the Army; the Navy; the Defense Plant Corporation; the Federal Housing Agency; the Bureau of Labor Statistics; and the Federal Conciliation Service. As if these were not enough, the situation also involves the National Defense Mediation Board and the principle of subcontracting national defense production. Before it is straightened out, it is almost certain to be taken up by Senator Truman's committee investigating defense contracts, and perhaps it will become the subject for a declaration of policy from the White House.

• **Causes of the Difficulty**—The trouble may be traced to two sources: (1) a difference between A.T.&T. and representatives of its employees over wages; and (2) a fight between two labor organizations for the right to represent telephone workers.

More than a year ago, after the Long Lines Telephone Workers, an affiliate of the National Federation of Telephone Workers, got a clean bill of health from the National Labor Relations Board as being independent of company domination, Long Lines and A.T.&T. signed a contract. That contract was a tentative agreement, for a dispute between the company and the union over wage rates remained unsettled. Federal conciliators were on hand at that time to keep the differences between union and company from exploding into a strike. It was their conclusion that objective facts were needed for a permanent settlement and so they proposed an unprecedented device: that the U. S. Bureau of Labor Statistics undertake a national study of job comparisons and wage rates relating A.T.&T.'s wage

scales with those paid by other employers in somewhat similar enterprises. Observers considered acceptance of this proposal by the union averted serious trouble (BW—Oct.20'40,p54).

• **And Then the Impasse**—Late last summer that study was completed. Union officials laid a copy of it on the table before A.T.&T. "Here," they said, "here's evidence to show we have good grounds in asking for a wage increase above the $1,300,000 a year which you offer." The union men report that A.T.&T.'s retort floored them. The company said in effect, "We didn't authorize that study; we didn't bind ourselves to do anything on the basis of it; we think it is irrelevant to these negotiations; and we think your wage increase demand is not justified."

After that, there was a lot of talking but it was apparent that the negotiations weren't progressing toward an agreement. The union membership voted to reject the company's $1,300,000 offer and prepared to take a strike ballot. Last week, the Conciliation Service created a three-man board to conciliate the dispute, and the union girded for a showdown fight, which if it comes might well paralyze long distance telephone service.

• **On Another Front**—Meanwhile Long Lines and the United Telephone Organizations, another affiliate of the National Federation whose members are employed by A.T.&T., found themselves engaged on another front. With 150,000 dues paying members, the federation has always seemed a rich plum to A.F.L.'s Electrical Workers Union. A.F.L. has been cracking away at the federation for years, with not much to show for its pains.

The object has been to discredit the federation and take over its members. Lately A.F.L. has been concentrating on Long Lines and U.T.O. Unable to gain much by a frontal attack, the A.F.L. hoped to get a nod of approval from the National Defense Mediation Board in its campaign against the independents. It looked for it to come in the Consolidated Edison case where I.B.E.W. was contesting with an independent union for jurisdiction over public utility workers. NDMB, however, ruled in favor of the independent union's claims (BW—Oct.4'41,p57).

• **New Line of Attack**—Set back, but not stymied, A.F.L. tried a new tactic, this time aimed directly at the capture of telephone workers. Two of its high officials went to OPM's Labor Division. They are reported to have issued an ultimatum: give the work of installing telephones to building contractors handling government construction jobs or else we'll strike all of them. This work is now done by A.T.&T. subsidiaries which employ members of the independent union; private contractors building for the Army, the Navy, the Defense Plant Corp., and the Federal Housing Agency have closed-shop agreements with the A.F.L.

According to the independent organization, the "pistol at the head" tactics were successful, for OPM is reported to have issued the order that A.F.L. demanded. Its excuse: Such an order means subcontracting and we want to encourage subcontracting. OPM says its order is only advisory and does not yet represent settled policy. The independents, however, charge that they are "being given the works," that the whole business is an "arrangement to freeze us out" and that the subcontracting explanation is "just a dodge to put a respectable face on what amounts to appeasing one labor group at the expense of another."

Hence the strike talk. The independents are convinced that their continued existence is at stake and that jobs for their members depend on maintaining the union's jurisdiction. Henry Mayer, counsel for the independents, compares their situation to the Currier Lumber Co. case (page 16) in that the government is apparently being coerced into taking a stand because of the threat of labor trouble.

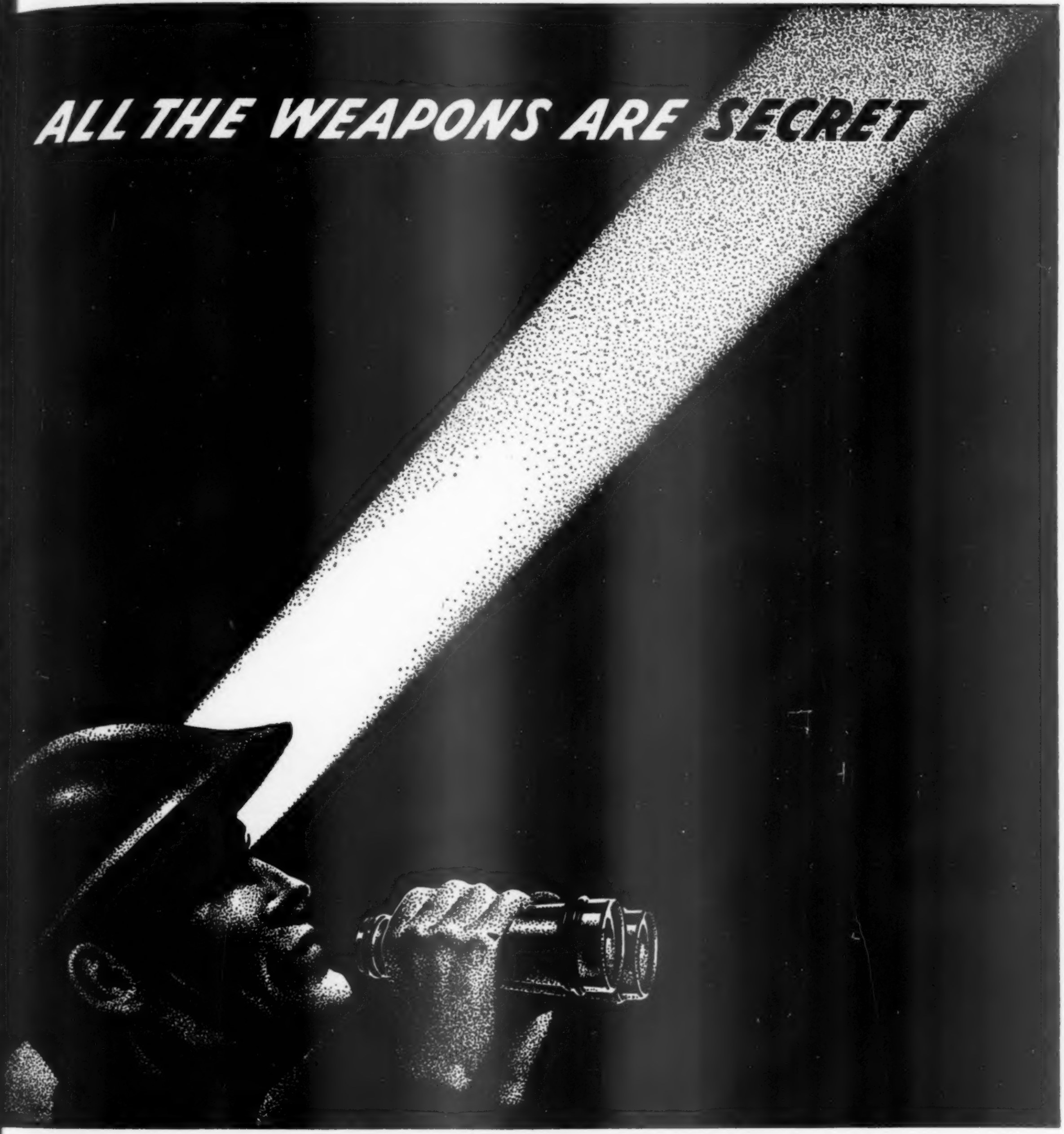
• **In Earnest**—The independent telephone unions feel that they are simply being squeezed between the upper and nether millstones of company resistance and government officiousness while the A.F.L. "kicks us in the tail." Preparations for a national strike are in earnest. To avoid it, without touching off a construction strike, is going to require ingenuity of the highest order.

RAIL WAGE PLAN

Railroad management gave the government an opportunity this week to state its policy on the problem of runaway wages by submitting to the special fact-finding board that is considering rail labor's demands for wage increases a plan that would tie wages to the cost of living and gross rail revenues.

The management proposal, which calls for pay adjustments by averaging changes in the cost of living at full value with half the value of changes in carriers' gross revenues from a June, 1937, base, is offered as an alternative to union demands for a flat wage boost of about 30%. The latter plan would cost the roads about $770,000,000 (BW—Jul. 26'41,p43). Under the flexible plan, the immediate increase would amount to $95,000,000 and about $15,834,000 would be added to payrolls each time the composite index rose a point.

Few observers looked for the fact-finding board to adopt the management plan in toto; but there were many who thought that some variant of it as well as a smaller flat increase than the unions are asking might be the board's ultimate recommendation.


ALL THE WEAPONS ARE SECRET

Seas Still Rough

While one sailors' st is settled, another threaten make trouble for shipping the East Coast.

The two A.F.L. sailors' union cepted this week National Defense diation Board recommendations fo settlement of their dispute with and West Coast shipowners (BW– 11'41,p65). This ended one threat has overhung the defense program Sept. 13 when the Seafarers Int tional Union and the Sailors Unio the Pacific began a strike which tie 26 ships. In lining up with ND suggestions, the unions agree to t war bonus of $80 instead of the they were demanding and continue $5,000 of war risk insurance inste the $10,000 they were after. Ship ers had endorsed the NDMB pro on announcement.

• **Board Not Wanted**–Accordin union spokesmen, the labor groups "far from pleased" by NDMB's posals but agreed to them "rather pave the way for a new federal boa handle disputes." A setup simila the Railway Mediation Board was gested by NDMB if the unions tu down its recommendations.

But, instead of clearing the man labor air, the disposition of the A dispute merely took that altercation of the trouble zone and made a for another shipping strike threat. new dispute involves East Coast owners and C.I.O.'s National Mari Union–the rival sailors' organizatio

• **Move to Even Up**–N.M.U.'s tracts with 28 steamship companie pired on Sept. 30 and, since that t negotiations for new agreements made little progress. The union is manding a $25-a-month wage incr "adjustment of working condition conform to the rising costs of li and unusual working regulations w did not exist when the last agreem was negotiated two years ago." union is also demanding that the w and working standards of all Amer seamen be made uniform–an attem wipe out the differential created higher West Coast wage levels.

The N.M.U.-shipowner negotiat marked time while NDMB formul its proposals for the A.F.L. gro Now that those recommendations being put into practice on ships u A.F.L. contracts, N.M.U. is launc its campaign to get as much if not m for its members. The campaign ope last week with a lengthy wire to President and a publicity barrage a ing the shipowners of creating a s tion inimical to the interests of def

urning 'Em Away

Picket net around hotels Pittsburgh routs travelers, ps important conventions, and en causes radio troubles.

Smog made Pittsburgh a blind spot the airline's maps on Oct. 1, but that sn't the only thing that was keeping

HERE'S YOUR CHANCE FOR HIGH-PAID WORK

Helping Uncle Sam build ships for defense

THE Westinghouse Electric & Manufacturing Company NEEDS MORE THAN 2000 SKILLED MEN NOW to help build vital equipment for United States Navy ships.

Whether or not you've had experience working on equipment for ships, the Company will train you for your job AND PAY YOU AS YOU LEARN.

Westinghouse is now building turbines, gears, and vital apparatus for more than 180 fighting ships and cargo vessels; is enlarging plant capacity to produce equipment for 100 additional cargo ships a year.

APPLY NOW, at the Westinghouse Employment Office, Lester, Pa. Take PTC Chester car, No. 37.

Westinghouse

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY
SOUTH PHILADELPHIA WORKS, LESTER, PA.

EN WANTED—2,000

ne indication of how hard it is getng to find skilled labor is furnished a Westinghouse Electric & Manucturing Co. advertisment which ran Philadelphia newspapers last week. estinghouse ran a two-column disay advertisement asking for 2,000 orkers to help build vital equipment r U.S. Navy ships. Even unskilled en are welcome now. Westinghouse fers to train them and pay wages hile they learn. At work on turbines, ars, and equipment for 180 fighting d cargo ships, Westinghouse is enrging its plant capacity to provide r 100 more annually.

BACK TO SCHOOL

The International Ladies Garment Workers Union (A.F.L.) launched its educational program this week for the 25th year, featuring a new course on production methods. It's the first such course ever offered to trade unionists. A field staff gathers material on work habits, including time-motion studies (left), for presentation to classes of union members (above). Under the contract signed with dress manufacturers in New York (BW—Dec.21'40, p26), I.L.G.W.U. undertakes joint responsibility for increasing output. Also, it has become the first labor organization to join the Society for the Advancement of Management.

travelers away from the city. Even railroad passengers were shunning Pittsburgh because of the strike of service personnel at all the major hotels. Fewer than one-tenth of the 3,500 guests registered when the strike began were willing to wait it out. The brave souls who remained, mostly permanent guests, were treated to the sight of assistant managers, sporting the traditional lapel flower, jockeying elevators to uncertain stops and smoothing out the wrinkles in slept-in-beds.

Ash receptacles in the darkened lobbies begged for attention. Soiled towels and linens were piled high in storerooms. Hotel office staffs pitched in to maintain a modicum of comfort and convenience for the guests who stayed, but no attempt was made to break the strike and no new registrations were taken. After visitors ran the gantlet of A.F.L. Hotel & Restaurant Employes' Alliance pickets on the sidewalk, they encountered a second obstacle in the lobby. Unless they were guests or could prove legitimate business they were turned away.

• **Banquets Canceled**—The hotels themselves canceled all dinner and banquet engagements. All dining rooms, restaurants, bars, taprooms, and barber shops were closed. With an editorial snarl against use of such "barbaric methods" to settle a labor dispute, the Medical Society of the State of Pennsylvania called off a four-day convention which would have drawn 2,200 delegates and guests. The Pennsylvania Beauty Shop Owners' Association postponed its meeting a month. Like dozens of luncheon and service clubs, the C.I.O. Steel City Industrial Union Council canceled its October meeting rather than cross the A.F.L. picket line outside the William Penn.

More resourceful was the Third O of St. Francis, lay religious organiz which long ago scheduled its fifth quennial congress for Oct. 11-1 Pittsburgh. The members refused buffaloed, ordered new programs, arranged to accommodate their visiting laymen and religious dele in private Catholic homes, monast parish houses and convents.

• **Radio Difficulty** — Radio St WWSW, in the Keystone Hotel, forced to reschedule 75% of its st programs to remote control pi points because of difficulty in sheph ing entertainers through the picket A ban on truck deliveries sidetra the usual shipments of comme transcriptions as well as a special an fier to monitor the first FM broad of the Pittsburgh symphony. Sta WCAE, in the William Penn, obta picket line passes for its staff music and technicians, members of o A.F.L. unions.

Pennsylvania Railroad ticket ag in other cities warned prospective P burgh visitors of the hotel strike.

Employees demanded a wage incr of 20% and struck when their old c tract expired. Admitting wages w low, the hotels countered with an o of 11%. City and state officials sou to bridge this gap.

JOBLESS, DESPITE PLANNIN

Despite the effort of Buffalo indu and the Office of Production Man ment to ease the changeover from c ian to defense manufacturing (BW Aug.16'41,p18), approximately 650 the workers affected were still awai employment on Oct. 7. That d marked the lapse of two full mon following announcement of a plan cope with the situation created by layoff of some 3,200 General Mo employees in consequence of the chan over at the Buffalo Chevrolet plant.

Industrialists promised hiring pre ence to the displaced workers, and was then predicted that all the laid men would have jobs within t months. At least 1,550 of the men h been placed. Another 1,000 have registered for reemployment under plan, which was set up for local admi tration by the state employment serv It is assumed that some workers h left the city, that some have obtai jobs independently, and that so simply don't want work right now.

Joseph Sayen, United Auto Work (C.I.O.) representative, charges that 650 are still out of work because operation of some industries has be laggard. He admits, however, that so 25 of the unemployed have turn down proffered jobs. These men, cording to Sayen, took training follo ing the layoff and are holding out skilled labor rates.

THE MISSING MAN

His illness costs your business a week's pay roll each year . . . costs America the time to build 52 battleships

ILLNESS costs the work of *a million men every day*, it is estimated from a U. S. Public Health Service report. Numerous other studies show that over *half* of this loss is due to colds and their complications.

In firms which established health programs, absences were reduced an average of 29.7%, according to the N. A. M. Industrial Health Practices survey. In an effective health program, individual towels, hot water and soap help prevent the spread of common contagions.

Over 50% more workers now enjoy the health protection of "Soft-Tuff" ScotTissue Towels, based on increased shipments in 1941. When wet, these improved towels have 10 times more rub strength than previous ScotTissue Towels. Yet they are soft as ever. Since one towel does a complete drying job, costs are reduced.

* * *

Call on the Scott ***Washroom Advisory Service*** for expert help in improving washroom hygiene, comfort and economy.

STAY TOUGH WHEN WET

INDIVIDUAL... SANITARY

Soft-Tuff ScotTissue TOWELS

PRODUCTION

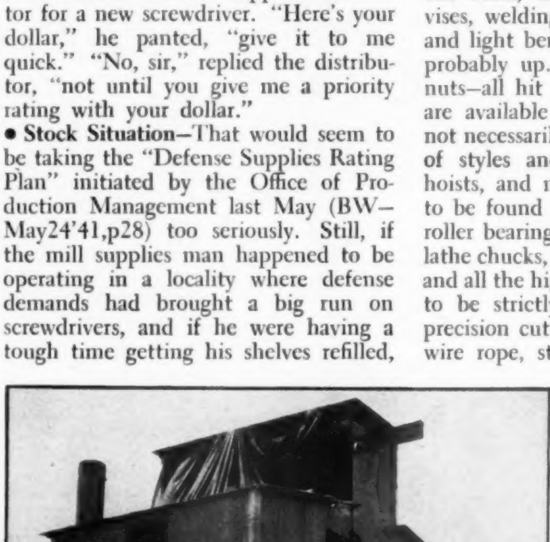
Small Tool Trove

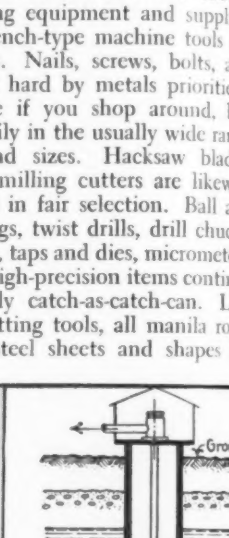
Smart handling of defense problems helps mill supplies situation. Distributors turn surpluses to good use.

There's a story going around about a production-shocked manufacturer who hot-footed to his mill supplies distributor for a new screwdriver. "Here's your dollar," he panted, "give it to me quick." "No, sir," replied the distributor, "not until you give me a priority rating with your dollar."

• **Stock Situation**—That would seem to be taking the "Defense Supplies Rating Plan" initiated by the Office of Production Management last May (BW—May24'41,p28) too seriously. Still, if the mill supplies man happened to be operating in a locality where defense demands had brought a big run on screwdrivers, and if he were having a tough time getting his shelves refilled, he would need a priority number to get fast action.

However, through the operation of the DSRP (some call it the "percentage priorities system") and the production efforts of manufacturers, stocks of quite a few of the many mill supply items, including screwdrivers, are now in better shape than they were last May. While conditions vary regionally, the editors of Mill Supplies report that on the average, stocks of machinists' hand and electric tools, abrasive wheels and sheets, vises, welding equipment and supplies, and light bench-type machine tools are probably up. Nails, screws, bolts, and nuts—all hit hard by metals priorities—are available if you shop around, but not necessarily in the usually wide range of styles and sizes. Hacksaw blades, hoists, and milling cutters are likewise to be found in fair selection. Ball and roller bearings, twist drills, drill chucks, lathe chucks, taps and dies, micrometers, and all the high-precision items continue to be strictly catch-as-catch-can. Like precision cutting tools, all manila rope, wire rope, steel sheets and shapes are





65,000,000 GALLONS DAILY

As the War Department's big du Pont-built powder plant at Charlestown, Ind., swings into production, water at the rate of 65,000,000 g.p.d. is assured from seven radial wells constituting "perhaps the largest single ground-water project in the world." Each 10,000,000-gal. well, or "collector," is a concrete caisson with a 13-ft. inside diameter, installed by the Ranney Water Collector Corp. of New York. Depths vary from 80 to 110 ft. depending upon the location of water-bearing strata. Above the closed bottom of a caisson are 18 portholes through which 8-in. screen pipes extend radially into the water strata 100 to 300 ft., depending on how far they can be jacked through sand and gravel. Water flows from the radial pipes into the caisson and is pumped on its way by a 350-hp., 7,000-g.p.m. pump housed in a structure atop a caisson (left). Soon to be completed is a spectacular 2-well, 28,000,000-g.p.d. job at the Henderson, Ky., powder plant.

under full mandatory priorities, and few stocks will be complete for some time to come.

• **How Rating Plan Works**—Roughly, the rating plan for defense supplies works like this: Each distributor asks his customers for certificates showing the percentage of their purchases from him—or of their total sales—which went into defense work during the previous month. If he can get certificates covering 85% of his business, he can apply the defense percentage reported to the entire 100%; if less than 85%, he must regard the entire unidentified portion as non-defense—which makes it worth while to dig deeply for his figures. When each distributor has certified his defense business to each of his manufacturers, they, in turn, can compute their defense percentages and thus become eligible for the blanket A-10 priority on materials to cover such percentages under the rating plan's provisions to assure delivery to defense plants of "all supplies which are produced before it is known what they will be used for," i.e., mill supplies which are manufactured for stock.

While the priorities authorities have placed the initiative for collecting defense-use data on the manufacturer, the mill supplies distributors and their customers can see that they will be digging priority graves for themselves if they do not cooperate to the utmost in keeping mill supplies stocks at workable levels. So they have been holding vigorous DSRP forums in strategic cities under the leadership of H. K. Clark, priorities consultant, and W. C. Stauble (Holo-Krome Screw Corp.), chairman of the supply industry's defense committee. These started in Waterbury, Conn., last June and have since drawn big audiences in San Francisco, Denver, Milwaukee, Los Angeles, and Chicago, where last month's turnout of 3,500 distributors and manufacturers taxed the capacity of the great Civic Opera.

• **Surplus Recovery**—Meanwhile, several mill supplies distributors have been suggesting that some of the industrial tools, supplies, and equipment now in urgent demand can be found gathering dust in the storerooms and stock bins of manufacturing plants which had long ago written off this merchandise as useless to their particular job; and that the local distributor is the man best qualified to dig them out.

Working on this idea in Connecticut, a state mill supplies committee composed of Howard Behn (Hunter & Havens), Carl Lyon (C. S. Mersick) and Ralph Hill (Clapp & Treat) asked about 2,000 manufacturers to list such surplus tools and materials with "the salesman of any Connecticut supply organization," the distributors to act both as collectors of surplus stock lists and as agents (at reasonable compensation to cover salesmen's commissions and other

costs) in securing and delivering the listed materials where needed. This month Chairman Stauble of the supply industry defense committee is getting behind a "National Surplus Stocks Campaign" in which individual distributors or local groups of distributors will canvass customers, and compile surplus stock lists along the lines of a plan used by the O. Iber Co., of Chicago.

• **Buried Treasure**—Experience to date indicates that the best surplus bonanzas are not to be found in large plants, which often have salvage departments alert to the quick disposal of surplus items, but in medium and small shops. Among super-short tools and supplies that have been turned up are high-speed steel tool bits, drills, and taps, belt hooks, grinding wheels, odd lengths of brass and aluminum. Best find is reported by a distributor who opened dust-covered packages labeled as "1,000 obsolete C-clamps" and found he had a treasure of 2-in. micrometers.

ANTI-SABOTAGE NETWORK

A new double "plant network system," not unlike the big duplicate networks that have protected utility customers against power failures for almost 20 years, will virtually insure a continuous current supply to the many machines in the Navy's new ordnance plant near Canton, Ohio. Power from the lines of Ohio Power Co. will be stepped down and distributed through 37 Westinghouse air-cooled transformers, 300-kva each, installed in as many departments. Two separate networks of power feeders will run to the transformers. If one fails by reason of accident or sabotage, the second will pick up the load automatically. And if a transformer or a part of an entire circuit fails, automatic protectors and current limiters will isolate the unit or the circuit from the system, and the remaining 36 transformers will share the total plant load.

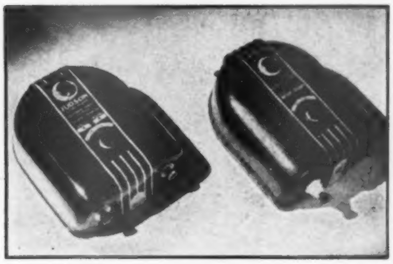
TEMPLATES BY X-RAY

Although the speedy new X-ray system of duplicating templates and other master patterns in the Inglewood, Calif., plant of North American Aviation, Inc., is essentially photographic, it sidesteps the use of a camera. A draftsman scribes the outlines of a template on a metal sheet which has been coated with fluorescent-phosphorescent lacquer. When X-rays cause the lacquer to glow, the scribed lines remain dark. Since the lacquer is both phosphorescent and fluorescent, there is enough afterglow to permit contact prints to be made on photographically-sensitized sheets of wood, metal, Masonite, what-have-you. After photographic development, the printed sheets are trimmed to the exact outlines of the original templates and sent to the shop for production use.

NEW PRODUCTS

Plastic Fence Controller

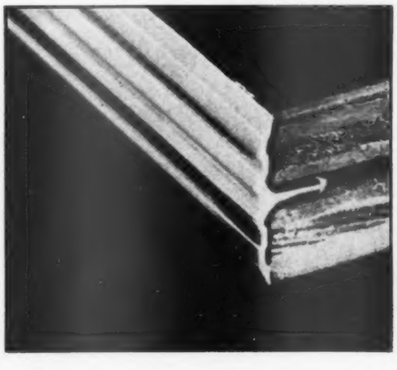
Strategic metals were saved for defense and costs substantially reduced when W. Haddon Judson Co., Philadelphia, adopted a 12-oz. plastic case (left) instead of the former 4½-lb. cast metal one for the new Judson Electric



Fence Controller, a unit for regulating the current fed into an electrically charged fence. Sheets of transparent Rohm & Haas Plexiglas are heated and formed in molds. Lettering and decoration are decalcomanias applied inside.

Barbed Plastic Trim

The first product of the new plant of Extruded Plastics, Inc., Norwalk, Conn., just opening this month, will be Interlox Plastic Trim for table edging, shelf trim, and wallboard joinings. Extruded out of Eastman Tenite II plastic in almost



any length, the trim has an integral, barbed central flange which locks it in position without the use of screws, nails, or adhesives. Other extruded products will include various types of plastic architectural trim and transparent plastic tubing.

Self-Sealing Hose

In one test of the new Self-Sealing Hose developed by United States Rubber Co., Rockefeller Center, New York, for airplane fuel lines, a piece an inch in diameter and a yard long was pierced by thirteen 50-caliber machine gun bullets "with the loss of only a slight amount" of gasoline. Construction con-

sists of two layers of braided yarn with a special rubber sealant between plus a covering and lining of petroleum-resistant synthetic rubber. The company has also developed "Formula C-102," a stiff, corrosion-resistant sheet material made from "fibrous and rubber-like ingredients" to replace aluminum in airplane fuel tanks. It is lighter in weight. Bullets are said to pass through it cleanly without ripping or shattering.

Bench-Type Presses

Two newly redesigned "Junior" Hydraulic Presses for precision assembling, straightening, light broaching, etc., are offered by Colonial Broach Co., Detroit. One is of ½-ton capacity, the other 1-ton; both are compact enough for

mounting on a work bench. Exterior dimensions are the same: 17x24½x37 in.; ram stroke is 12 in. Motors, pumps, reservoirs, and piping are fully enclosed. Here a worker assembles needle-bearing universal joint caps on a ½-ton job mounted on a special angle-steel base.

Luminous Name Plates

During the last war, practically all the luminous dials on airplane instruments were calibrated by hand with radium-salt-bearing paint, but now most of them are being printed mechanically with fluorescent - phosphorescent pigments which glow under ultra-violet "black light" and continue to glow for a half hour or so when something happens to the light source. Busy as Crowe Name Plate & Mfg. Co., 3701 Ravenswood Ave., Chicago, is on such instrument dials, it is also producing "Conti-Glo" Fluorescent-Phosphorescent Name Plates, dials, and panels in different glowing colors for radios, automobiles, laboratory instruments, industrial controls, etc., under license from Conti-Glo Division, Continental Lithograph Corp., Cleveland.

FINANCE

That 30-Year Issue

Morgenthau's long-term 2 1-2% bonds, tailored to market, fail to provide epic test awaited by financial community.

Ever since the United States Treasury began selling fully-taxable bonds, the financial community has been wishing that Secretary Morgenthau would market a long-term issue. The idea was that demand for such an issue—and the price paid—would give a good idea of what the market for the best corporate bonds should do for a good while to come (BW—Feb.22'41,p60).

For a long time the Treasury went along, feeling its way to get the true response of the money market to Uncle Sam's bonds now that they are bereft of any measure of tax exemption. Secretary Morgenthau's advisers didn't want to rock the boat by offering securities whose term was too long to interest the commercial banks with their well-known love for "short stuff." Consequently, the bond market was forced to wait for its epic test.

• **Maturing in 1971**—That trial came last week when the Treasury, undertaking its largest new-money offering since the days of the last war, announced that the issue would not mature until 1971. Investment response to an issue falling due at least 25 years in the future was just what the financial community wanted to see, so this 30-year job for the Treasury appeared to be about ideal.

But the test didn't amount to much after all. The fact was that the Treasury had tailored this issue to fit the market. The big institutional investors—insurance companies, savings banks, educational and charitable trust funds, etc.—were starved for slices of United States government bonds returning a yield of better than 1½% or 2%. They snapped up this $1,500,000,000 of 30-year 2½% bonds. So great was the demand, in fact, that early trading indicated investors figured a price of $1,030 on the thousand dollar bond was about right rather than the flat $1,000 the government was asking.

• **Questions Answered**—Absolutely top-grade corporate bonds of similar maturity had been selling to yield around 2¾% prior to the government financing. When Secretary Morgenthau offered his big issue on a 2½% yield basis, he made a return of 2¾% on gilt-edged corporates appear liberal enough. Moreover, when investment demand ran the Treasury issue up to a 3% premium over the offering price, the 2¾% yield

on the best corporate bonds looked even better.

Thus it might be reasoned that, investment appetite being what it is in this persistently overloaded money market, all the pricing problems of the bond boys had been answered. Yet it must be remembered that a great many analysts have been warning for years that the trend in bond prices could not always continue upward or, conversely, the trend of yields remain always toward lower levels. Many of these forecasters at once seized upon the success of the Treasury financing to warn again that the top of the market must certainly be encountered sometime, and that perhaps that top might now be in sight.

• **Reasons for Caution**—One reason cited for sounding such a note of caution is that commercial loans of the banks have swelled so rapidly in the last 18 months that some tightening in short-term money rates would not be unexpected. Once short-term rates had stiffened, followers of the market would expect a gradual rise in yields on longer-term investments.

Then, too, the forthcoming volume of government financing has many observers frightened. Experts in Washington say that the United States has to spend at least 30 billions a year on defense and lease-lend even to match Nazi production of the machines of war. How large, then, is our deficit to become, and how much of it will have to be raised through the medium of long-term Treasury financing? Whatever the exact figures, they argue, the amounts will be stupendous, and deficit financing may sop up the available funds soon enough so that more attractive terms may have to be offered to draw out investment money.

• **Joy Riders**—Another factor stressed—and its importance can be questioned at this stage of the game—is the volume of joy riders' applications in the tremendous over-subscription of all the Treasury's issues. The joy riders are perfectly happy to get 10% of the amount they apply for, and they figure to sell out as soon as the new issue goes to a premium.

The sum of these speculative subscriptions undoubtedly is fairly substantial. Yet the larger investors, who figure that to get any reasonably large allotment they must pad their subscriptions to several times actual wants, are the ones who run up the total applications to the astronomical heights. The real worry is not about the joy riders, or small fry, becoming frightened. It is that the big boys will cut their subscriptions all of a sudden, leaving those who have padded their applications in a position where they will have to accept a lot more bonds than they want. If that should happen, bond market indigestion of a serious character would result, but that doesn't appear to most people to be an imminent contingency.

INSURANCE KEYNOTER

Chosen to preside at the 35th annual convention of the Association of Life Insurance Presidents and to deliver the opening address at New York's Waldorf-Astoria on Dec. 11 is O. J. Arnold, president of Northwestern National Life Insurance Co. of Minneapolis. A veteran of 45 years in life insurance, Mr. Arnold has been prominent in actuarial, agency and sales research problems of the business.

Bankers' Dilemma

Investment houses discover something worse than competitive bidding when L. G. & E. proposes to peddle its own stock.

Louisville Gas & Electric's novel plan to sell its common stock to the public through its own salesmen (a plan which would not have been so novel a dozen years ago) ran up against opposition from an interesting quarter at hearings before the Securities and Exchange Commission this week. More than a dozen investment bankers, all or most of whom usually would be vigorously opposed to competitive bidding for corporate securities, argued that the issue might better be thrown open to competitive bids than sold in the manner proposed.

Most of the bankers represented at the hearings were from Kentucky, and among these were numbered members of 14 houses in Louisville, the utility company's headquarters. The main plea for competitive bidding rather than direct sale by Louisville Gas & Electric's own salesmen, however, came from a

large nationally-prominent investment banking house, Blyth & Co., whose principal offices are in San Francisco and New York.

• "Out of Touch"—Robert B. MacDowell, a representative of Blyth, said that the company was in no position to handle its own offering because it is out of touch with the markets since it closed its securities department a decade ago.

The company's plan is to sell 150,000 shares of common stock at \$23.50 a share. One of its employees who has had securities selling experience and four others from the appliance sales division have been designated to sell the stock. In addition, the company proposes to allow a concession of about 75¢ a share to all members in good standing of the National Association of Securities Dealers who participate in the distribution. Counsel for the company predicted whole-hearted cooperation on the part of N.A.S.D. members.

• SEC Attorney's View—An optimistic prediction on the results of the company's plan was hazarded by David Kadane, an attorney for the SEC's utility division. He recommended that the commission waive its competitive-bidding requirement, declaring that the proposed method of sale not only would save the company underwriting fees but would accomplish the desirable result of gaining distribution of the shares within the company's territory.

Bank Chain Wins

Stoddard-Bohn institution in Michigan gets clear path when state senate fails to override a veto by the governor.

Chain-banking has been given the go-ahead signal by the Michigan Senate. And the Michigan National Bank, the institute that provoked the most controversial issue on Michigan's 1940 legislative calendar, is expected to rush its expansion plans to a culmination.

Failure of the Michigan Senate last week to override Gov. Van Wagoner's veto of the anti-branch bank bill meant that any bank in that state could take over other existing banks and operate them as branches—although it is still, of course, illegal for a bank to open branch offices more than 25 miles from the county of its home office. Principal proponents of the bill were about 90% of the members of the Michigan State Bankers Association, who fear loss of participation in some of the juicier loans if any one bank becomes huge enough to be able to service, single-handed, the loan requirements of most corporations in the state (BW—Jul.19'41,p54). Siding with these bankers were most Republican members of the Legislature. The Comptroller of the Currency is expected to give permission for further chain-banking expansions.

• Headed by Stoddard—The Michigan National Bank is headed by Howard J. Stoddard, cousin of Federal Reserve System Chairman Marriner S. Eccles. Stoddard's family controls branch and chain banks in Utah and adjoining states. Associated with Stoddard in the bank's control is Charles B. Bohn, president of the Bohn Aluminum & Brass Co. of Detroit. Last year the Michigan National, with head offices in Lansing, absorbed as branches some existing banks in Grand Rapids, Battle Creek, Marshall, Saginaw, and Port Huron. It was chartered by the Comptroller of the Currency, and became the state's fifth largest bank.

The mergers were then sanctioned by a ruling of the Attorney General that it was legal to merge existing banks and keep them as branches even though it was illegal for any bank to open branches. At the November elections, this state official was replaced by an Attorney General who disagreed with his predecessor's ruling and induced the state Supreme Court to review the legality of the Michigan National Bank's existence. The court unanimously upheld the existence of the chain bank.

• Legislative Action—The Republican Legislature at once enacted the Brake bill, which forbade acquisition by banks

of out-of-the-neighborhood branches. The Democratic governor immediately vetoed the bill. The House of Representatives in July overrode the veto but the Senate couldn't muster the necessary two-thirds majority. Last week the Senate tried again, but still barely lacked sufficient majority.

With the path swept clean, the Michigan National is reported negotiating for the purchase of the First National Bank & Trust Co. of Kalamazoo and the Jackson City Bank & Trust Co. of Jackson, and enough other units to make of it a $100,000,000 state-wide institution.

New Ally for SEC

Antitrust Division, asking ICC to nip truck merger, backs competitive bidding and fights banker rôle in management.

The Department of Justice last week threw in its vote with the Securities and Exchange Commission and others who favor sales of new securities by competitive bidding—and conversely, with those who oppose securities placement by negotiation between issuer and purchaser. Furthermore, it opposed stock interest in or participation in the management of any transportation agency by investment bankers as a threat which might bring "an end to the hope of low-cost public transportation."

These statements of policy were contained in a brief filed by the Justice Department, through its Antitrust Division, with the Interstate Commerce Commission to plead for denial by the ICC of an application for a trucking merger. This consolidation, Associated Transport, Inc., would bring under one management eight trucking companies with an Atlantic seaboard territory extending from Boston to New Orleans (BW–Jun.21'41,p26). These companies own 3,500 vehicles and had revenues last year of more than $18,000,000.

● **Monopoly Charge**—The Justice Department charged that the consolidation would result in a monopoly in transportation because it would have "route coverage and drawing power sufficient to secure for the merged lines an unshakable hold on the long-haul traffic in the territory concerned." Kuhn, Loeb & Co., which had expected to help finance an earlier merger plan (spiked by the ICC) promoted by these same companies, was said to have an interest in the new merger. The Antitrust Division said Kuhn, Loeb's involvement "would tend toward a restoration of monopoly in transportation and would otherwise be contradictory and hostile to the public interest."

Next move will be the report of the

special ICC examiner to the commission. After this, the usual 20-day period will be allowed for submission of exceptions to the report.

• **ICC's Earlier Position**—The principal faults found by the ICC with the earlier plan were (1) the large size, and (2) heavy financing "load." In the new plan, fewer companies are involved and original capitalization will be represented principally by an exchange of securities to vest ownership of the constituent companies in Associated Transport, Inc.

H. D. Horton, president of Horton Motor Lines, Inc., Charlotte, N. C.—one of the units to be absorbed—who is slated to become chairman of the new company, reports that the consolidation will not cause any unemployment. He outlines the objectives: "To eliminate delay in transferring shipments from one company to another; to give broader coverage; to utilize the best practices of constituent companies; and to permit procurement of additional capital from the investing public."

TAXING TAX-EXEMPTS

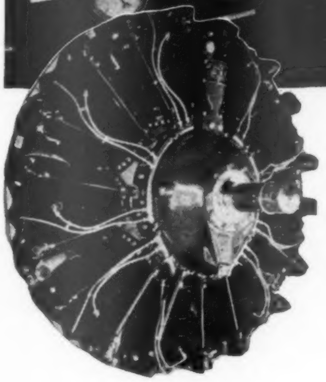
The old controversy over levying of federal income taxes on the income from future state and municipal bond issues is about to come up again. This was revealed by Charles L. Kades, assistant general counsel of the Treasury Department, in a speech before the St. Paul conference of the National Tax Association.

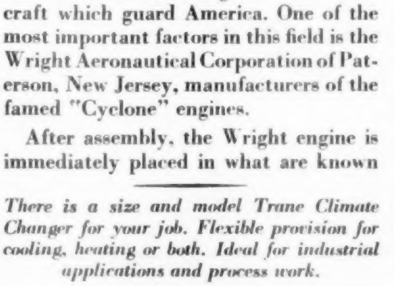
Although the federal government dodged the issue when Congress removed tax exemption as a feature of the Treasury's own bond issue, it now proposes to offer some form of tax on the income from state and local bonds in the forthcoming tax bill. Mr. Kades predicted that Congress would adopt a law which would operate in "fairness and justice" and would end "tax immunity for a favored few."

TIGHTER INSTALMENT TERMS

Not that anybody had predicted that the original regulations tightening the terms of instalment credit would work perfectly—but they already are in line for some fairly important overhauling. Part of it will have to do with definitions. Other changes will involve actual cash terms.

For example, there is a suspicion in Washington that down payments still are not stiff enough. Results, in fact, indicate little if any diminution of time purchases of several of the types of goods covered. Banks shortly may be required to get a written promise from a borrower that he isn't going to use the proceeds of a loan to make a down payment on an automobile or radio or refrigerator so that he can get an instalment contract with another lender for the balance.





THE MARKETS

The stock market was much more mindful of outside influences this week than it was to the first few corporation earnings statements for the third quarter and the nine months. These income accounts, although still too few to justify much generalization about how industry is doing, made pretty satisfactory reading for any stockholder who has been wondering whether his investments are going to continue to return the handsome yields that have been characteristic of the last year or so.

• **The A. T. & T. Reports**—Among the few reports of very large corporations at hand thus far is that for American Telephone & Telegraph (and it covers the period ended Aug. 31 rather than that to Sept. 30). For the quarter that ended Aug. 31, Mother Bell reported a gain of nearly $36,000,000 in operating revenues. Operating expenses were up only $21,000,000, so that there was an improvement of about $15,000,000 in operating results. However, after payment of taxes, net income for the period was little ahead of the preceding year, standing at $46,958,478 against $46,788,009. Even so, to the investor who is primarily interested in that good old $9 dividend on his stock, the results must have seemed fair enough.

By and large, however, followers of the stock market are keeping the rubber bands on their pocketbooks. They have now watched the price averages of industrial shares relinquish about two-thirds of the gains chalked up in the May–September rally. It takes more than satisfactory earnings and attractive yields to tempt them into the market in the face of such a trend.

• **Westinghouse Common**—Heavy liquidation in Westinghouse Electric common stock on Wednesday was one of this week's disappointing developments. That day the price dipped $5 to $76.125 a share—which compares with the year's high of $105. Selling followed the announcement that the subscription price on the 534,426 additional shares to be offered to present stockholders would be $70. Before the company decided on Sept. 23 to raise money by offering rights to subscribe to one new share for each five shares held, Westinghouse common was above $88.

• **Doubting Thomases**—Back in the "New Era" days of the late 1920's, Wall Street always welcomed the announcement of rights to subscribe to new stock. Everybody figured, after the fashion of the day, that the more capital a company had the more it would earn on both the old shares and the new. Nowadays, however, you've got to prove it to the Wall Street doubting Thomases. They go on the assumption that a new stock issue dilutes the earnings for all the shares—until they are proved wrong. In other words, a company has to invest the proceeds from its new stock profitably enough to increase the earnings per share on the increased capitalization before Wall Street will revise upward its valuation. That is pretty much the story of the cool reception accorded the Westinghouse rights, just as it has been of many other issues of rights in recent years.

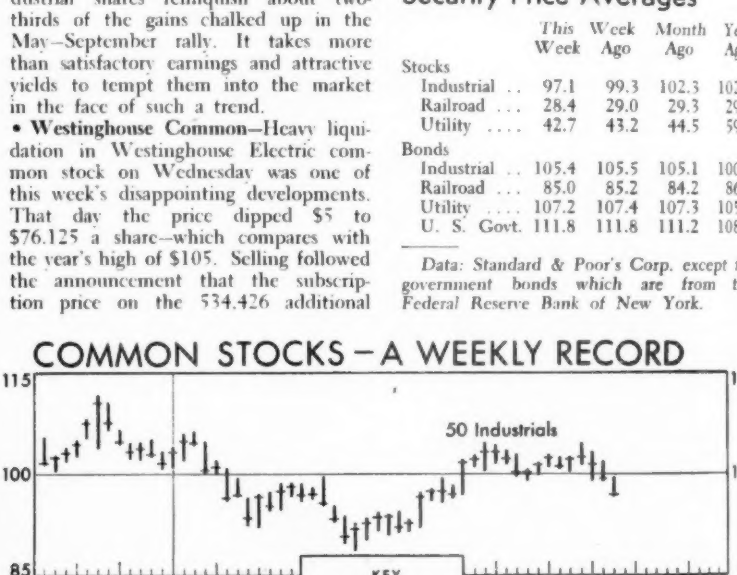
• **Adverse Factor**—The fact that the price on new common stock issues has to be made so very attractive is one of the factors working against raising equity capital in the present market.

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	97.1	99.3	102.3	102.6
Railroad	28.4	29.0	29.3	29.1
Utility	42.7	43.2	44.5	59.5
Bonds				
Industrial	105.4	105.5	105.1	100.7
Railroad	85.0	85.2	84.2	86.0
Utility	107.2	107.4	107.3	105.9
U. S. Govt.	111.8	111.8	111.2	108.9

Data: Standard & Poor's Corp. except for government bonds which are from the Federal Reserve Bank of New York.

COMMON STOCKS – A WEEKLY RECORD



COMMODITIES

Cottonseed Omen

Move by Bankhead gives notice of finish fight against any anti-inflationist effort to put strict curbs on farm prices.

The old tug of war over prices of farm commodities is on again in dead earnest. Concrete steps were taken by the farm bloc on Tuesday of this week when Senator Bankhead called a meeting of interested congressmen with the avowed intention of getting a government-guaranteed minimum price of 14¢ a pound for cottonseed oil as well as other benefits for cottonseed and soybeans.

Coming right after the close of a full-dress farm conference attended by leaders from 37 states on a call from Senator Elmer Thomas, Mr. Bankhead's program gave to the forces pushing for strict regulation of prices a definite warning of a finish fight. The 37-state meeting, in which Alabama's Bankhead and Oklahoma's Thomas were joined by such senators as South Carolina's Smith, Vermont's Aiken, and Iowa's Gillette, rendered lip-service to parity prices. The farm leaders didn't ask 110% of parity as contemplated in the present price-fixing bill, or 120%. They'll be satisfied with parity—but a parity figured on some other basis than the present method of computation.

• Hunting a Formula—A new parity base has been in the wind for quite a while. One was worked out on a 1923–26 basis instead of the present 1910–14, and turned out to be lower than the formula now in use. So the demand is for "something else," but if time gets short, expediency may force the farm bloc to fall back on 110% or 120% of the present parity. The argument is that, despite the sharp rise in farm prices this year, the farmer still isn't getting his due from the defense boom. Safeguard against inflation, said the 37-state meeting, is that there can be no runaway advance because of prevailing surpluses.

Senator Bankhead's demand for loans to farmers at the rate of 14¢ a pound on cottonseed oil came after a fairly brisk decline in the price of this oil due to upward revision of the Department of Agriculture's estimate of the size of the 1941 cotton crop. Similarly, Bankhead's sponsorship of a loan plan for soybeans followed a break in prices after the steep rise of recent weeks.

• Negative Influences—Extreme efforts to aid the farmer will be weakened by the fact that cottonseed was selling in September at prices which returned the

farmer 160% of parity, that the Farm Bureau Federation—always close to the Department of Agriculture—pulled out of the 37-state meeting in a huff.

MORE MANGANESE

Mining interests in this country, worried over the outlook for the United States' imports of manganese ore under present unsettled shipping conditions, continue to watch with great interest efforts to increase domestic production. While Arkansas, Georgia, Montana, Virginia, and West Virginia all are contributing to current output, most attention centers on Montana where Anaconda Copper is rapidly stepping up operations at its new works rated at capacity of about 100,000 tons a year. (Any year in the last decade in which domestic output exceeded 30,000 tons was rather exceptional, and we haven't approached 100,000 tons since the passing of high prices incident to the last war.)

Production of manganese in this country was reported at 6,000 long tons by the Bureau of Mines for July. Current rate of increase is emphasized by the jump to 9,100 in August. Yet, hopeful as the increases may be, this country is bound to remain largely dependent on imports and stockpile for this important agent in steel-making, as current demands are put at about 85,000 long tons monthly.

LOANS AND PARITY

About a quarter of a million bushels of 1941 wheat have so far been placed in storage as security for government loans averaging almost exactly $1 a bu. Thus farmers are accepting loans which are, in many cases, below or barely equal to what they could get by selling grain in the open market.

The explanation is not hard to find. The "parity" price for wheat, as computed by the Department of Agriculture, now is around $1.21 a bu. The proposed ceiling of 110% of parity on farm prices would indicate a top on wheat of around $1.33. If prices go up on the things the farmer buys, then the parity figure will be revised upward accordingly. And, even though the harvest is now put at a bumper 960,000,000 bu., wheat growers still are hopeful of getting 110% of parity for their crop. That's why they're holding under loans from the Commodity Credit Corp.

This wheat storage, meanwhile, presents its problems. Commodity Credit is being forced to inspect farm-stored grain frequently because it isn't keeping well in many areas. The Kansas Grain, Feed and Seed Dealers Association has just notified members that spoilage in some parts of the state has been as high as 20%.

BUSINESS ABROAD

Repercussions from Moscow

Russia's reverses shape developments in Japan, Turkey, and Western Hemisphere, spurring Washington and London to new efforts. U. S. pact with Argentine marks economic victory.

Spectacular Nazi advances along the Soviet front this week caused reactions in many quarters.

In Tokyo, Japanese officials announced that three liners would be dispatched to the United States between now and mid-November to pick up 2,000 Japanese citizens who would like to return home because of the slump in business which has followed the foreign trade bans imposed by both countries. Actually, insiders look on the move as a warning that the Nipponese are preparing for trouble this winter.

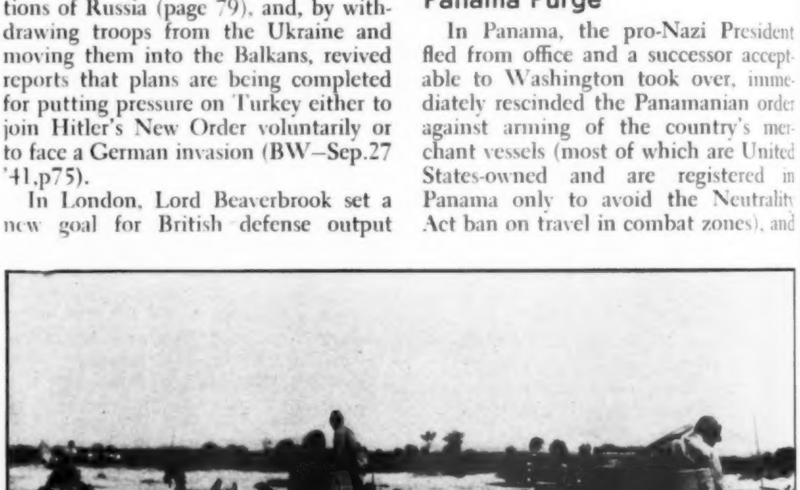
Turkey Next?

In Berlin, German economic leaders announced elaborate plans for the speedy development of the occupied sections of Russia (page 79), and, by withdrawing troops from the Ukraine and moving them into the Balkans, revived reports that plans are being completed for putting pressure on Turkey either to join Hitler's New Order voluntarily or to face a German invasion (BW—Sep.27 '41,p75).

In London, Lord Beaverbrook set a new goal for British defense output when he declared that military intelligence officers in Moscow had revealed that the Germans were using 30,000 tanks in their Eastern campaign, 14,000 of them in the drive on the Red capital. The British have not disclosed their monthly tank output, but the United States is producing fewer than 400 tanks a month, and two-thirds of them are the 13-ton "light" tanks which are speedy and highly maneuverable but not heavy enough to cope with the mass of medium and heavy Nazi tanks that have been used in every campaign in this war. (Hitler used 80-ton behemoths in the drive on Paris a year ago, but is reported to have used mainly medium tanks in the entire Russian campaign.)

Panama Purge

In Panama, the pro-Nazi President fled from office and a successor acceptable to Washington took over, immediately rescinded the Panamanian order against arming of the country's merchant vessels (most of which are United States-owned and are registered in Panama only to avoid the Neutrality Act ban on travel in combat zones), and



TOKYO OFFENSIVE

While Japanese light tanks cross the Hsinkiang, in Japan's third major 1941 offensive against the Chinese, Tokyo is massing troops along the Russian frontier, waiting for a decisive Soviet defeat in the West to give the signal for a Nipponese grab at long-coveted Russian territory in the Far East.

pledged cooperation with Washington in the defense of the hemisphere. Diplomats believe that Washington will soon take a hand in two other countries in the vitally-strategic Caribbean area if pro-Nazi acts are not curbed.

In Washington, defense authorities quietly summoned executives from half a dozen key war industries and told them to sidetrack civilian orders, concentrate on defense output.

New Pacific Crisis

The pessimistic turn on the Soviet front is responsible for these developments. Japan, which has been smarting under the rebuff administered when Washington virtually banned all imports of Japanese goods, is impatiently awaiting the opportunity to recover the "face" that it lost in its August backdown. With Nazi troops nearing Moscow and the whole effective Soviet front on the west gravely threatened, Tokyo is preparing (1) to settle an old score with the Soviet Union and grab the vulnerable Maritime territory around Vladivostok, or (2) to move south where there are richer spoils in case the United States becomes actively involved in the Atlantic and is unable to give as much as half its attention to any Pacific squabble (BW–Sep.6'41,p14).

Loud demands by the British public that the government do something to relieve the pressure on Russia have brought to light several sober appraisals of Britain's ability to attempt an invasion of the Continent now. In contrast with Germany's 260 to 300 divisions (100 of which probably have not been used in the Russian campaign), Britain has not more than 60 divisions and these are scattered in various parts of the Empire. And whatever number of planes the Germans are using in the Russian campaign, experts estimate that they have at least 2,500 combat planes reserved for action in the West should Britain attack. These facts, along with Lord Beaverbrook's estimate that the Germans are using 30,000 tanks in the Soviet campaign, explain why Britain will make no large-scale invasion effort this fall or winter.

On Economic Front

Not all of the news this week has been pessimistic. On the economic battlefront Washington won a major victory. The long-pending trade agreement with the Argentine has been signed, and a similar pact with Uruguay is due soon.

Argentine-United States trade volume is not large, compared with our normal business with Canada, Japan, or with any one of a half dozen countries in Europe, but the new pact is significant because it overcomes the serious obstacle of competitive agricultural exports, improves our economic and political relations with one of the key countries of Latin America, and lays the groundwork for effective postwar economic collaboration.

ARMS SPEED-UP

When Prime Minister Mackenzie King (visiting a Quebec arsenal, above) called on Canadians a few weeks ago to speed up production, workers replied that they were now able to equip a full division—from socks to tanks—in five weeks, promised to better that record by next year.

What Each Side Gets

The new treaty makes tariff concessions to the United States on 127 items which ordinarily make up 40% of our exports to the Argentine. Included in the list are fresh fruits, tobacco, automobiles and parts, agricultural and industrial machinery, and office appliances.

The United States reciprocates with concessions on only 84 imports from the Argentine but they are items which ordinarily make up 75% of the northbound trade. Included in the list are flaxseed, canned corned beef, casein, hides, and certain kinds of cheese.

Argentine exports to the United States in 1940 totaled $83,300,000, but ran high as $139,000,000 in 1937 (when the drought-stricken United States bought heavily of Argentine fodder). They were at a low of $15,800,000 in 1932.

Argentine imports from the United States amounted to $106,000,000 last year. Record year was 1929 when they ran up to $210,000,000. In depressed 1932, they were only $31,000,000.

Insiders now look for intensification of Washington's program of economic warfare against the Axis. Until recently, Argentina has refused to cooperate wholeheartedly (BW–Oct.11'41,p78) and even Britain has been reluctant to sacrifice its special privileges in that important market (page 15). But with the new pact, the air is cleared and Buenos Aires is expected to cooperate fully in the vast program for intensified economic warfare which is being planned now in Washington and in London.

Ottawa Price Rift

Canadians, split into two warring camps over extent of anti-inflation controls, keep weather eye on Washington.

OTTAWA—The clash between two camps of Canadian war economists has come to a head. In one camp are the all-out anti-inflationists of Minister Ilsley's Finance Department, who are demanding over-all control measures that would give Ottawa command of the bulk of Canadian business and trade. The other camp, which consists of officials responsible for administration of controls, favors progressive measures to meet situations as they develop, and opposes all proposals for blanket restrictions.

Price-fixing is the pivotal question. Ilsley's men, determined to conserve rising national income for taxes and war loans, want prices frozen on everything after the Baruch pattern. Hector McKinnon's Wartime Prices and Trade Board, recently given power and responsibility for the price control end of wartime economy, has been mapping a program of selective price- and profit-fixing along lines similar to the Leon Henderson program. McKinnon's main objection to universal price-fixing is that it could not be carried out without close harnessing of export and import trade.

• **Watching Washington**—Prime Minister Mackenzie King must choose between the two groups soon. Some cabinet members think Ottawa should wait to see how far Washington is going with inflation curbs. Ilsley's advisers urge

that bold action here might give a lead to the United States. Need for coordination is recognized and insiders understand that at least some aspects of the issue were before the U. S.-Canada Joint Economic Committee at its meeting in New York last week. Control of exports is known to have been considered by the committee, objectives being conservation of scarce materials and equitable treatment of industries using them on both sides of the border.

The United States section of the committee in view of Washington's lease-lend arrangements with Britain is also anxious to make certain that scarce materials obtained from below the border are not processed by Canada for nonwar export in competition with United States products (page 15).

• **Export, Import Funnels**—In the absence of corresponding action by Washington, general price-freezing in Canada would necessitate close restrictions, amounting in some cases to embargoes, on exports in order to prevent commodities required here for home consumption and supply to Britain from crossing the border for higher prices in a free market. It would mean that Ottawa would have virtually to take over the import trade, buying Canada's requirements at free market prices and supplying them to Canadian manufacturers and the trade on terms permitting processing and resale in a frozen market. Officials estimate that the cost of subsidizing imports under this scheme would amount to at least $100,000,000, and are staggered by the amount of control machinery that would be needed, to say nothing of the blow to business that is implied.

Additional ramifications of the overall price-fixing plan are wage ceilings for all labor—already certain to come at Finance Minister Ilsley's demand (BW—Oct.4'41,p64)—and further bonuses to farmers, including dollar or near-dollar wheat.

• **Making Adjustments**—The Cabinet is now making adjustments to reconcile labor leaders and unions to the wage-freezing move. Provision will be made to revise wage levels in "exceptional cases" where the 1926-40 base is claimed to be subnormal. This will permit the survival of collective bargaining on a limited scale, and a wage board or regional wage boards will be set up to make final decisions. It also opens the way for favorable consideration by Ottawa's labor advisory bodies (largely A.F. of L. in personnel) of the Canadian Labor Congress (C.I.O. affiliate) proposal for a labor-employer saw-off: labor to forego the strike privilege in war industry in return for employer acknowledgment of its right to conduct collective bargaining by representatives of its own choice, whether plant employees or not.

Agricultural Minister James Gardiner

Signs showing that food and clothing stores are complying with regulations of Canada's Wartime Prices and Trade Board will soon be appearing in Dominion store windows. It's all part of the widespread price-control program undertaken by the Dominion (BW—Oct.4'41,p63).

is the chief Cabinet opponent of blanket price-freezing because it would cover farm products. But Gardiner wants dollar or near-dollar wheat for his constituents (present guaranteed price is 70¢) along with other concessions and if he gets them he may yield to Ilsley.

The outlook early this week was that the Cabinet would balk at the blanket price freeze because of the implications for export and import trade, and would wait to see what Washington intended to do. The question is in the balance, however, with the decision uncertain. If the blanket freeze is put off, the McKinnon board will go ahead with its program for selective price and profit fixing on commodities with the most direct impact on the cost-of-living index.

• **Sales Curbs**—Instalment trade curbs, just announced, are stiffer than Washington's. Initial payment on automobiles is 50% of purchase price, and 33⅓% on between 100 and 150 other commodities. Maximum payment period is twelve months except for automobiles costing more than $500, on which 18 months is allowed. To enforce the restrictions, finance and loan companies have been brought under license and forbidden to loan for purposes which would evade instalment control.

Consumers cannot evade the curbs by borrowing from banks on the security of controlled commodities. Terms of existing instalment agreements or loans cannot be enlarged. Instalment trade increased 25% in Canada this year.

• **U. S.-Canada Tax Pact**—Ottawa is enjoying the unusual experience of being

in the driver's seat in negotiations with Washington for an agreement to limit taxation on the earnings of foreign investments. When Canada upped the rate from 5% to 15% at the last session of parliament, Washington countered by going from 10% to 16½%. Then, when Washington proposed to jack up its rate to 27½%, Ottawa suggested a halt. Canadian officials are able to make the suggestion stick because of the existing agreement under which the nationals of each country are allowed tax exemptions by their own country on the amount they pay in taxes to the other country. Because U. S. investments in Canada are about four times as much as Canadian investments in the U. S., it was going to be costly for the Washington Treasury if Canada put up its rate to the U. S. level. Under an agreement now pending, rates for both countries will be fixed at or about the Canadian level. The agreement will void any danger of U. S. investments in Canadian mining and other industries being driven out by further tax boosts.

Like Washington, Ottawa is trying to forget the term priority. It has started to call it "release." The implication is that formal ratings are avoided, materials being allocated in keeping with individual circumstances and the general supply situation. Washington has insisted that Ottawa supply classifications for all of Canada's 1,800,000 tons of steel requirements for 1942. Officials here say it can't be done, but are trying now to prepare estimates.

Nazi Breadbasket

German chiefs reveal plans for economic exploitation of vast region taken from Russia. Farm tractors follow the troops.

BERLIN—With the German armies closing in on Moscow and with British aid almost inevitably arriving too late to turn the tide of battle on any of the major Soviet fronts, Nazi leaders set out this week to explain to the German public the pattern for the economic rehabilitation of the Reich's great new Lebensraum in the East.

European Russia is to become the breadbasket for German-controlled Europe. The great valley of the Volga will produce wheat; the plains of the Ukraine fodder and livestock, sugar, and perhaps a little cotton. Further north Russia will grow fruit and dairy products.

• **Industrial Plans**—There will be no great industrial centers to rival Dusseldorf and Hamburg. Heavy industry is to be preserved for the Reich. But in Russia's coal basin along the Don River and among the iron mines north of the

Crimea, industrial centers making hardware, textiles, small electrical appliances, and light farm implements are likely to spring up to supply the big, underprivileged Russian population and to provide exports for the markets further to the East. But mainly the Russians are to return to the soil and whatever industry develops in the area will be in the control of German technicians from overcrowded Germany.

Nazi geopoliticians long ago decreed that Germany must absorb the Ukraine if it was to become the center of a great new Eurasian Empire. This week Germans claim that goal is within their reach.

• **Feed All of Europe?**—The planners also claim that the occupation of European Russia makes Germany invulnerable to the British blockade. This claim is only partly true. While the vast area of the Soviet Union west of the Urals, if intensively and scientifically cultivated, should supply Germany with wheat, fodder, and—after a time—livestock and dairy products, it can not produce enough, even under the most favorable conditions, to feed all of Europe.

Nor are there important deposits of copper, chrome, tungsten, antimony, or tin in this part of the Soviet Union. It will be necessary to control Turkey before Germany acquires new supplies of copper and chrome (BW—Oct.11'41, p79). And adequate supplies of oil will be gained only when the Caucasus is captured. This week's speeches in Berlin make it plain that Nazi planners have no doubt that they will bring these areas under their control before the winter is over.

• **Economic Changeover**—Reorientation of Russia's economy is already under way in the German-occupied section. An additional rail has already been laid on all of the main lines of Russia's wide-gage railroads and Germany's narrower-gaged trains are already delivering supplies to the front.

German tractors are being rushed into the region to take the place of those carried away by the retreating Russians. And Nazi agronomists, long familiar with the agricultural methods and problems of neighboring Rumanian and Bulgaria are following the troops and laying plans to plant vast quantities of soybeans, fodder crops, and wheat. The Ukraine is the richest stretch of farm land yet to fall into Nazi hands and they are preparing to make the most of it.

MEXICAN COMPROMISE

The United States and Mexico will soon reach a settlement on the main issues involved in the three-year-old oil controversy. Mexico has offered to place $9,000,000 in escrow until a mixed board can determine the exact value to be paid for the expropriated properties. The wells will not be returned to their former owners but the oil companies will be invited to operate them on a fixed fee basis and to market all oil not consumed in Mexico.

A similar arrangement covering the expropriated British properties is likely to follow soon. Though Britain and Mexico severed diplomatic relations when British oil companies were driven out of the country, unusually large numbers of British officials are in Mexico now, theoretically acting as clerks in the consulates that remain open.

MATCH THAT

British tanks are rolling down to the docks for delivery to the Middle East, where Britain is massing forces for an expected German attack during the winter months. Tank output is also due for another boost as a result of Lord Beaverbrook's report that the Nazis had 30,000 tanks when they started the Soviet campaign and are still producing at a tremendous rate.

PROFIT & LOSS

Back to Normal

There used to be a grocer in Minneapolis who thought he had the Hallowe'en situation all wrapped up. Figuring that the kids in the neighborhood were going to soap up his windows—or maybe even worse—on Hallowe'en anyway, he decided he could put the evening on a high moral plane by running an open-and-above-board window-soaping contest, with prizes. He invited all the kids in the neighborhood to come around, gave them some soap, and let them go to work on his store windows. Three grand prizes were given out to the most artistic pictures, the less-talented contestants got consolation prizes like ice cream cones or something, and the whole business was over at a nice sensible hour like 9 P.M. Because this plan for a safe and sane Hallowe'en sounded almost too good to be true, a reporter called the grocer up the other day to find out whether he was going to try the same system this Hallowe'en—only to discover that the gentleman had gone out of business. On the chance that his successor might have some interesting theories of his own on how to handle children on Hallowe'en, the reporter asked *him* what activities he had under consideration for the evening this year. The grocer's answer gave child psychology a terrible setback.

"What I do for Hallowe'en," he said flatly, "is hire a cop period."

Odd Jobs

Every year since 1935 General Electric's "lightning laboratory" in Pittsfield, Mass., has sent an engineer down to New York City for the summer, to take pictures of lightning striking the Empire State Building—"Probably the world's finest fixed target for lightning," according to G.E. (Because of its structural steel frame, it carries lightning strokes harmlessly into the ground.) In the tower mast G. E. has a number of oscillographs to record the intensity of each stroke of lightning; and eight blocks north, on the 39th floor of 500 Fifth Ave., are three intricate cameras, pointed constantly at the Empire State tower, to make pictures correlated with the scientific readings.

The engineers who spend their summers in New York waiting for lightning have to keep close track of the weather reports to find out when storms are expected, so they can be at their cameras when the lightning comes. They have to be pretty patient fellows, too, because theirs is often an unrewarding job.

As a matter of fact, this year's lightning-photographer—a young fellow from Brooklyn named Ingolf B. Johnson—has

ADVERTISERS IN THIS ISSUE

Business Week—October 18, 1941

just closed the season without getting a single picture. That's a new record.

The Empire State tower was only struck six times this season, as compared to 41 strokes recorded in 193? (the best year yet) and 20 strokes last year. Two of this season's six strokes were freaks—single strokes when there wasn't any general thunderstorm. A third came at noon when it couldn't be photographed (it has to be pretty dark to get good pictures of lightning). And the other three strokes all came on Friday, the ninth of May—the day Mr. Johnson arrived in town from Pittsfield to start work. He was busy setting up his cameras and instruments when they came—and went.

Shine

One of Business Week's midwestern correspondents made a stop at the Fontinelle Hotel in Omaha, Neb., recently by way of covering the meeting of the National Frozen Food Locker Assn. (BW—Oct.4'41,p24). At the Fontinelle ("to typify our bright and shining service") they burnish all their silver, including the dimes, quarters, and half-dollars in the cash registers; and when the B. W. man set out for Mitchell, S. D. and its annual Corn Festival (BW—Oct.4'41,p22), after paying his bill, his pockets were loaded with brightly shining silver of every description.

He didn't run into any trouble until he hit a toll bridge across the Missouri River at Yankton, S. D. This was guarded by an elderly gentleman reminiscent of the late Chic Sale. He eyed the shiny money in the correspondent's hand with a cold suspicious look. Then he transferred the look to the correspondent's face. Finally, he reached out and gingerly picked a gleaming half-dollar from the correspondent's hand. He bit it first, then carried it into his office and examined it under glass. Eventually he came out again and bluntly asked the correspondent where he'd got all that money anyway. The correspondent's explanation, naturally, did not satisfy the old gentleman at all. He said he'd rather take a chance on one of the correspondent's dollar bills.

The correspondent fumbled in his pocket and discovered that the smallest bill he had was a twenty (this does not happen often—Ed.) The old gentleman said of course he couldn't change that. The situation looked like a stalemate. Then the bridge-keeper said all right, he'd take the half-dollar. "But only," he added, "because I know a fellow that collects counterfeit coins who will probably pay a good half dollar for it anyway."

The correspondent unloaded all the rest of his sparkling money as soon as possible in some slot machines, which took every bit of it without complaining—or refunding.

THE TRADING POST

Defense and Future Profits

In its August 16th issue, Business Week offered its readers a Report to Executives on "National Defense and the Future of Profits." The widespread response to the observations and conclusions of that report suggests that responsible business executives and their economic advisers are doing their own thinking on the subject.

Many of their comments have been of keen interest to the Business Week staff, so I plan to devote some of this space to extracts that may be interesting to other readers. They all are from men in responsible business or governmental positions whose views are bound to carry weight in current affairs. But since it is the ideas that matter, I withhold names and offer only their views, to be considered on their merits.

* * *

Executive, large food-products company:

. . . It seems to me that the past operation of the modern industrial system has not been sufficiently successful for the human race, and we are in the midst of a world revolution, in which mankind is trying to find a better way. For the present it runs to more government regulation. We are having and will expect considerable floundering, because neither the politicians nor the business men know enough of the art of dealing with each other. We shall probably suffer with this for a good many years, but I am optimist enough to believe that out of it will come an improvement which will be a compromise between the profit motive and government regulation in which we shall have the better of each. Meanwhile, it looks as if for awhile we shall swing to the extreme of too much government and too little profit, as the article points out.

* * *

Regional Manager, OPM Defense Contract Service:

I agree with you in regard to the prospects of major shifts in industrial markets and of important "geographical gyrations" of industrial centers. These may result in big steps toward self-sufficiency in the South and on the West Coast. However, I seem to be much more willing to accept the *probability* of air freight transport than you are. Since that is my view, I see long continuing and approximately full use of the increased productive capacities for aluminum, magnesium, plastics, and, of necessity, electric power. We have grown up and matured during the "refinement" stage of the Steel Age. We have also seen, in my opinion, the birth of a "lighter metals" age which is being speeded through its adolescent period by the defense program and will come into its own during the next twenty years.

There is one question you ask that is really a puzzle. What will happen to all the newly built, special, military single-purpose plants after the emergency? Some of them will be converted to peace-time use and older units abandoned. Some will be held in readiness for future operations as "stand by" plants. Possibly many of them will be needed as warehouses to store the hundreds of millions of tons of tanks, guns, ammunition, field equipment, jeeps, etc. that I am working 14-16 hours a day, seven days a week, to get produced in this district! When you learn the answer, will you let me know?

* * *

Nationally-known business executive recently appointed to key position in defense production setup:

I have read rather carefully your study on "National Defense and the Future of Profits." I think it is the clearest exposition of the problem of changing events and the effect on industry profits and investors that I have seen. I have sent it along to all my top men to read.

* * *

Supervisor of Economic Research, large electrical manufacturer:

. . . Frankly, we found the conclusions of the report implicit in the presentation, rather than explicitly stated. You point out the inadequacy of individual business organizations to check a depression, cite statements of leading executives concerning the trend away from an unmodified profit motive and toward fuller government control, and point out the increased ability of the government to handle economic controls. Combined with the rest of the presentation, these points lead to the implicit conclusion that the outlook for private profits after the armament program is blacker than you have explicitly stated, and that the farther ahead it is considered, the blacker it gets. Your statement that "the job of stimulating full production and full employment will devolve upon society as a whole" seems to boil down to government control of industry, possibly in conjunction with some form of industrial organization which we have not yet considered.

* * *

Federal government bureau head:

. . . Your report should have the effect of serving fair warning on business executives as to what may happen. If they react in an especially electrifying manner to energize private investment after the war, and work towards broadening markets, your prophecy of increasing government planning and control will be (and properly) restricted in its fulfillment. If they passively bow to the inevitable and fail to do what they individually and collectively can, your prophecy of the expansion of government into the economic field will materialize quicker and more completely. Private initiative will have the full opportunity to maintain its former sweeping power in the guidance of economic activity. But the government, or "society" to use your term, must step in in the case of, and to the extent of, any default of opportunity by private enterprise.

Business Week is doing private enterprise a service by putting the problem squarely up to business executives. The outcome is largely in their hands. W.C.

THE TREND

PRIORITIES UNEMPLOYMENT A MISNOMER

To the company or individual immediately caught in the economic mesh of materials shortages, priorities disemployment is a very real and very distressing problem. It is small solace to the former manufacturer of aluminum cooking utensils to know that each month defense is pushing the national income to all-time highs. And leaders of the United Automobile Workers who lose dues-paying members to defense industries are not apt to think of their loss as the country's defense gain. Nor is the worker who has to move from Flint to an Ohio arsenal—if he wants a job—in a mood to recognize that he and his uprooted family are simply an economic molecule in a vast, but logical, industrial process.

And to the man who has to stand in line to buy an automobile; to the homebuilder who finds he can't get plumbing supplies; and to the housewife who sees that her new electric refrigerator doesn't have all of last year's aluminum gadgets, priorities disemployment is something tangible to lay hold of—not a high-falutin economic theory that doesn't come in contact with reality. The average man will shrug his shoulders at such a distant and impersonal fact as "Machine-tools are being strictly allocated," but he'll get all stirred up when his hardware dealer tells him, "Copper screening's high and hard to get."

• **Because it touches** so many persons in so many different ways, priorities unemployment has come to assume an aggrandized economic importance. People invest it with the significance of first-hand knowledge—"I know about that." Yet, actually, few realistic facts about priorities unemployment have been released to the general public. True, Leon Henderson has declared that it might reach 2,500,000; true, also, the Supply Priorities and Allocations Board has announced that 700,000 workers in the construction industry may be thrown out of jobs. But those figures are isolated estimates. They fail to put such unemployment in its economic place.

It must be realized that priorities unemployment doesn't just happen; it doesn't take place in a vacuum. There's a reason for it. Critical materials, such as steel, aluminum, copper, zinc, magnesium, etc. are required for defense. When these materials are taken away from a non-defense industry and diverted to a defense industry, two things occur: Jobs are lost in the non-defense factory, but jobs are created in a defense plant.

• **Moreover, defense work** is much more exacting and time-taking than non-defense work. Example: It takes one-fifth of a man-hour to turn out a connecting rod on an automobile; it requires 11 man-hours (55 times as many) to manufacture a connecting-rod on an Allison airplane engine. Admittedly, that proportion of defense man-hours to non-defense man-hours will not hold throughout industry. But by and large the machining called for in airplanes, tanks, battleships, and machine guns is more rigorous than in automobiles, refrigerators, merchant ships, and typewriters. Tolerances are closer, stress requirements are greater; in addition, military products are not regular products, and their manufacture has not been so thoroughly standardized. So, pound for pound, critical materials provide more man-hours of work in defense plants than in non-defense plants. That can be put down as a basic axiom.

• **In a sense,** priorities disemployment bears a resemblance to technological unemployment. When the automobile came along and displaced the horse-and-buggy, employment in the carriage industry declined; but far more workers were hired by the budding motor industry. Now, in a similar manner, defense production deprives workers in consumers durable-goods industries of their materials; but, again, in the process, more jobs are created.

Another phase of the priorities disemployment problem is worth thinking about: The supply of critical materials is constantly increasing. Here, for example, is a log of available supplies of some of the key defense materials (1941 and 1942 estimated):

	1940	*1941*	*1942*
		(All Figures in Tons)	
Zinc	725,000	875,000	1,100,000
Copper	1,030,000	1,650,000	1,800,000
Aluminum	206,500	300,000	550,000
Nickel	92,500	100,000	120,000
Steel	67,000,000	83,000,000	90,000,000

The inference is clear. Next year there will be more materials to work with than this year. Purely on a quantity basis, that means more jobs. Nor is that all. As we have seen, diversion of materials to defense, in itself, creates jobs. Thus, on two distinct counts, priorities disemployment is an economic exaggeration—unless it is applied solely to non-manufacturing fields.

• **White-collar workers** in consumer durable-goods industries—salesmen and clerical help—really face priorities disemployment. An automobile salesman is not likely to have the training or the stamina to shift to a job in a shell factory. And for this white-collar group, diversion of critical supplies to defense represents economic disenfranchisement. To them, alone, the term is applicable.

But we must not lose sight of the fact that defense creates jobs as well as dislocations. And, with critical supplies increasing and new defense plants steadily coming into production, employment generally is bound to rise over the longer term. Thus, in perspective, priorities disemployment is a term without meaning for the United States. After all, it is both a contradiction and a paradox to talk of "priorities disemployment" while total employment is rising. For the country as a whole, it is net employment or unemployment that counts.

The Editors of Business Week

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